

F.No.2(1)/2001—Pub.— The following Ordinance promulgated by the President is hereby published for general information:—

AN
ORDINANCE

To consolidate and amend the law relating to income tax

WHEREAS it is expedient to consolidate and amend the law relating to income tax and to provide for matters ancillary thereto or connected therewith;

WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the Proclamation of Emergency of the fourteenth day of October, 1999, and the Provisional Constitution Order No. 1 of 1999, read with Provisional Constitutional Amendment Order No. 9 of 1999, and in exercise of all powers enabling him in that behalf, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:—

CHAPTER I
PRELIMINARY

1. Short title, extent and commencement.—(1) This Ordinance may be called the Income Tax Ordinance, 2001.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the Federal Government may, by notification in official Gazette, appoint*.

2. Definitions. — In this Ordinance, unless there is anything repugnant in the subject or context —

(1) "accumulated profits" in relation to ¹[distribution or payment of] a dividend, ²[include] —

*Vide notification S.R.O.381(I)/2002 dated 15.06.2002 the Federal Government appointed the first day of July, 2002 on which the Ordinance shall come into force.

¹ Inserted by the Finance Act, 2003.

² The word "includes" substituted by the Finance Act, 2005.

- (a) any reserve made up wholly or partly of any allowance, deduction, or exemption admissible under this Ordinance;- .9230
- (b) for the purposes of ¹[sub-clauses (a), (b) and (e) of clause (19)] all profits of the company including income and gains of a trust up to the date of such distribution or such payment, as the case may be; and
- (c) for the purposes of ²[sub-clause (c) of clause (19)], includes all profits of the company including income and gains of a trust up to the date of its liquidation;

³[(1A) “active taxpayer’ list” means the list instituted by the Board under Section 181A and includes such list issued by the Azad Jammu and Kashmir Central Board of Revenue or Gilgit-Baltistan Council Board of Revenue;]

⁴[⁵(1B) “amalgamation” means the merger of one or more banking companies or non-banking financial institutions, ⁶[or insurance companies,] ⁷[or companies owning and managing industrial undertakings] ⁸[or companies engaged in providing services and not being a trading company or companies] in either case ⁹[at least one of them] being a public company, or a company incorporated under any law, other than Companies Ordinance, 1984 (XLVII of 1984), for the time being in force, (the company or companies which so merge being referred to as the “amalgamating company” or companies and the company with which they merge or which is formed as a result of merger, as the “amalgamated company”) in such manner that –

- (a) the assets of the amalgamating company or companies immediately before the amalgamation become the assets of the amalgamated company by virtue of the amalgamation, otherwise than by purchase of such assets by the amalgamated company or as a result of distribution of such

¹ Clauses (a), (d) and (e) of sub-section (20) substituted by the Finance Act, 2002.

² Clause (c) of sub-section (20) substituted by the Finance Act, 2002.

³ Clause 1A inserted through Finance Act, 2019.

⁴ Inserted by the Finance Act, 2002.

⁵1A renumbered by 1B by the Finance Act, 2019.

⁶ Inserted by the Finance Act, 2004.

⁷ Inserted by the Finance Act, 2005.

⁸ Inserted by the Finance Act, 2007.

⁹ Inserted by the Finance Act, 2005.

assets to the amalgamated company after the winding up of the amalgamating company or companies; ¹[and]

- (b) the liabilities of the amalgamating company or companies immediately before the amalgamation become the liabilities of the amalgamated company by virtue of the amalgamation ²[.]

³[]

⁴[(2) “Appellate Tribunal” means the Appellate Tribunal Inland Revenue established under section 130;]

(3) “approved gratuity fund” means a gratuity fund approved by the Commissioner in accordance with Part III of the Sixth Schedule;

⁵[(3A) “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);]

⁶[(3B) “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;]

⁷[(3C) “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

¹ Added by the Finance Act, 2005.

² The semi-colon and word “and” substituted by the Finance Act, 2005.

³ Clause (c) omitted by the Finance Act, 2005. The omitted clause (c) read as follows: -
“(c) the scheme of amalgamation is approved by the State Bank of Pakistan or by the Securities and Exchange Commission of Pakistan on or before thirtieth day of June, 2006;”

⁴ Substituted by the Finance Act, 2010. The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010. Clause (2) before substitution by the Finance (Amendment) Ordinance, 2009 read as follows:
“(2) “Appellate Tribunal” means the Appellate Tribunal Inland Revenue established under section 130;”.

⁵ Inserted by the Finance Act, 2005.

⁶ Inserted by the Finance Act, 2005.

⁷ Inserted by the Finance Act, 2005.

Fund Manager registered with the SECP under Voluntary Pension System Rules, 2005;]

- ¹[(3D) “Approved Employment Pension or Annuity Scheme” means any employment related retirement scheme approved under this Ordinance, which makes periodical payment to a beneficiary *i.e.* pension or annuity such as approved superannuation fund, public sector pension scheme and Employees Old-Age Benefit Scheme;]
- ²[(3E) “Approved Occupational Savings Scheme” means any approved gratuity fund or recognized provident fund;]
- (4) “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;
- ³[(5) “assessment” includes ⁴[provisional assessment,] re-assessment and amended assessment and the cognate expressions shall be construed accordingly;]
- ⁵[(5A) “assessment year” means assessment year as defined in the repealed Ordinance;]
- ⁶[(5B) “asset management company” means an asset management company as defined in the Non-Banking Finance Companies and Notified Entities Regulations, 2007;]
- ⁷[(5C) “assets move” means the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls or is the beneficial owner of such offshore assets for the purpose of tax evasion;]

¹Inserted by the Finance Act, 2006.

²Inserted by the Finance Act, 2006

³ Clause (5) substituted by the Finance Act, 2002. The substituted clause read as follows:

- “(5) “assessment” means –
- (a) an assessment referred to in section 120;
 - (b) an assessment raised under section 121;
 - (c) an amended assessment under section 122;
 - (d) a demand for an amount due under sections 141, 142, 143 and 144; or
 - (e) an assessment of penalty under section 190;”.

⁴Inserted by the Finance Act, 2011.

⁵Inserted by the Finance Act, 2002

⁶Clause (5B) substituted by the Finance Act, 2008. The substituted clause (5B) read as follows:

“(5B) “assets management company” means a company registered under the Assets Management companies Rules, 1995;”

⁷ Clause (5C) inserted by Finance Act, 2019

- (6) “association of persons” means an association of persons as defined in section 80;
- (7) “banking company” means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and includes anybody corporate which transacts the business of banking in Pakistan;
- ¹[(8) “Board” means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof;
- (9) “bonus shares” includes bonus units in a unit trust;
- (10) “business” includes any trade, commerce, manufacture, profession, vocation or adventure or concern in the nature of trade, commerce, manufacture, profession or vocation, but does not include employment;
- (11)] “capital asset” means a capital asset as defined in section 37;
- ²[(11A) “charitable purpose” includes relief of the poor, education, medical relief and the advancement of any other object of general public utility;]
- ³[(11B) “Chief Commissioner” means a person appointed as Chief Commissioner Inland Revenue under section 208 and includes a Regional Commissioner of Income Tax and a Director-General of Income Tax and Sales Tax;]
- ⁴[(11C) “Collective Investment Scheme” shall have the same meanings as are assigned under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]
- (12) “company” means a company as defined in section 80;

¹Clauses (8), (9), (10) and (11) re-numbered as clauses (9), (10), (11) and (8) respectively by the Finance Act, 2014.

²Inserted by the Finance Act, 2002.

³ Substituted by the Finance Act, 2010. The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010. The substituted clause (11B) read as follows:

“(11B) “Chief Commissioner” means a person appointed as Chief Commissioner Inland Revenue under section 208 and includes a Regional Commissioner of Income Tax and a Director-General of Income Tax and Sales Tax.”

⁴Inserted by the Finance Act, 2011.

- ¹[(13) “Commissioner” means a person appointed as Commissioner Inland Revenue under section 208 and includes any other authority vested with all or any of the powers and functions of the Commissioner;]
- ²[(13A) “Commissioner (Appeals)” means a person appointed as Commissioner Inland Revenue (Appeals) under section 208;]
- ³[(13AA) “consumer goods” means goods that are consumed by the end consumer rather than used in the production of another good;”]
- ⁴[(13B) “Contribution to an Approved Pension Fund” means contribution as defined in rule 2(j) of the Voluntary Pension System Rules, 2005⁵ [];]
- (14) “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;
- (15) “debt” means any amount owing, including accounts payable and the amounts owing under promissory notes, bills of exchange, debentures, securities, bonds or other financial instruments;
- (16) “deductible allowance” means an allowance that is deductible from total income under Part IX of Chapter III;
- (17) “depreciable asset” means a depreciable asset as defined in section 22;
- ¹[17A. “Developmental REIT Scheme” means Developmental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;]

¹Substituted by the Finance Act, 2010. The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010. The substituted Clause (13) read as follows:

“(13) Commissioner” means a person appointed as Commissioner Inland Revenue under section 208, and includes any other authority vested with all or any of the powers and functions of the Commissioner.”.

²Substituted by the Finance Act, 2010. The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010. The substituted Clause (13A) read as follows:

“(13A) “Commissioner (Appeals)” means a person appointed as Commissioner Inland Revenue (Appeals) under section 208;

³Inserted by the Finance Act, 2015

⁴ Inserted by the Finance Act, 2005.

⁵The comma and words “, but not exceeding five hundred thousand rupees in a tax year” omitted by the Finance Act, 2006.

- (18) “disposal” in relation to an asset, means a disposal as defined in section 75;
- (19) “dividend” includes —
- (a) any distribution by a company of accumulated profits to its shareholders, whether capitalised 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, ²[] to the extent to which the company possesses accumulated profits whether capitalised 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 capitalised 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 capitalised or not; ³[]
 - (e) any payment by a private company ⁴[as defined in the Companies Ordinance, 1984 (XLVII of 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;⁵[or]
 - ⁶[(f) ⁷[remittance of] after tax profit of a branch of a foreign company operating in Pakistan;]

¹Inserted by the Finance Act, 2015

² The words “and any distribution to its shareholders of shares by way of bonus or bonus shares”, omitted by the Finance Act, 2002

³The word ‘or’ omitted by Finance Act, 2008.

⁴ Inserted by the Finance Act, 2003.

⁵The word ‘or’ added by the Finance Act, 2008.

⁶Inserted by the Finance Act, 2008.

⁷The word “any” substituted by the Finance Act, 2009.

but does not include —

- (i) a distribution made in accordance with ¹[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; ²[]
- (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 ³[sub-clause] (e) to the extent to which it is so set off;⁴[and]
- ⁵[(iv) remittance of after tax profit by a branch of Petroleum Exploration and Production (E&P) foreign company, operating in Pakistan.]

⁶[(19A) “Eligible Person”, for the purpose of Voluntary Pension System Rules, 2005, means an individual Pakistani who ⁷[holds] a valid National Tax Number⁸[or Computerized National Identity Card⁹[or National Identity Card for Overseas Pakistanis] issued by the National Database and Registration Authority] ¹⁰[]¹¹[:]]

¹ Substituted for “clause” by the Finance Act, 2002

²The word “and” omitted by the Finance Act, 2009.

³ The word “clause” substituted by the Finance Act, 2002

⁴The word “and” inserted by the Finance Act, 2009.

⁵Added by the Finance Act, 2009.

⁶ Inserted by the Finance Act, 2005.

⁷ The words “has obtained” substituted by the Finance Act, 2007.

⁸ Inserted by the Finance Act, 2007.

⁹Inserted by the Finance Act, 2008.

¹⁰The words “but does not include an individual who is entitled to benefit under any other approved employment pension or annuity scheme” omitted by the Finance Act, 2006.

¹¹The semicolon substituted by the Finance Act, 2006.

¹[Provided that the total tax credit available for the contribution made to approved employment pension or annuity scheme and approved pension fund under Voluntary Pension System Rules, 2005, should not exceed the limit prescribed or specified in section 63.]

²[(19B) The expressions “addressee”, “automated”, “electronic”, “electronic signature”, “information”, “information system”, “originator” and “transaction”, shall have the same meanings as are assigned to them in the Electronic Transactions Ordinance, 2002 (LI of 2002);]

³[(19C) “electronic record” includes the contents of communications, transactions and procedures under this Ordinance, including attachments, annexes, enclosures, accounts, returns, statements, certificates, applications, forms, receipts, acknowledgements, notices, orders, judgments, approvals, notifications, circulars, rulings, documents and any other information associated with such communications, transactions and procedures, created, sent, forwarded, replied to, transmitted, distributed, broadcast, stored, held, copied, downloaded, displayed, viewed, read, or printed, by one or several electronic resources and any other information in electronic form;]

⁴[(19D) “electronic resource” includes telecommunication systems, transmission devices, electronic video or audio equipment, encoding or decoding equipment, input, output or connecting devices, data processing or storage systems, computer systems, servers, networks and related computer programs, applications and software including databases, data warehouses and web portals as may be prescribed by the Board from time to time, for the purpose of creating electronic record;]

⁵[(19E) “telecommunication system” includes a system for the conveyance, through the agency of electric, magnetic, electro-magnetic, electro-chemical or electro-mechanical energy, of speech, music and other sounds, visual images and signals serving for the impartation of any matter otherwise than in the form of sounds or visual images and also includes real time online sharing of any matter in manner and mode as may be prescribed by the Board from time to time.]

(20) “employee” means any individual engaged in employment;

¹Inserted by the Finance Act, 2006.

²Inserted by the Finance Act, 2008.

³New clause (19C) inserted by Finance Act, 2008.

⁴Inserted by the Finance Act, 2008.

⁵Inserted by the Finance Act, 2008.

- (21) “employer” means any person who engages and remunerates an employee;
- (22) “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;
- ¹[(22A) “fast moving consumer goods” means consumer goods which are supplied in retail marketing as per daily demand of a consumer²[excluding durable goods].
- ³[(22B) “fee for offshore digital services” means any consideration for providing or rendering services by a non-resident person for online advertising including digital advertising space, designing, creating, hosting or maintenance of websites, digital or cyber space for websites, advertising, e-mails, online computing, blogs, online content and online data, providing any facility or service for uploading, storing or distribution of digital content including digital text, digital audio or digital video, online collection or processing of data related to users in Pakistan, any facility for online sale of goods or services or any other online facility.]
- ⁴[(22C) “FBR Refund Settlement Company Limited” means the company with this name as incorporated under the Companies Act, 2017 (XIX of 2017), for the purposes of settlement of income tax refund claims including payment by way of issuing refund bonds under section 171A;]
- (23) “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

¹Inserted by the Finance Act 2015

²Inserted by the Finance Act 2017

³Inserted by the Finance Act 2018

⁴Clause (22C) Inserted by the Finance Act 2019

- (b) consideration which would be income of the recipient chargeable under the head “Salary”;

¹[]

- (24) “financial institution” means an institution ²[as defined] under the Companies Ordinance, ³[1984 (XLVII of 1984)] ⁴[];
- (25) “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;
- (26) “firm” means a firm as defined in section 80;
- (27) “foreign-source income” means foreign-source income as defined in sub-section (16) of section 101.

⁵[(27A) “greenfield industrial undertaking” means –

- (a) a new industrial undertaking which is –
- (i) setup on land which has not previously been utilized for any commercial, industrial or manufacturing activity and is free from constraints imposed by any prior work;
- (ii) built without demolishing, revamping, renovating, upgrading, remodeling or modifying any existing structure, facility or plant;
- (iii) not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to commencement of the new business and is not part of an expansion project;

¹Omitted by Finance Act 2019. The Omitted clause read as follow:

(23A) “filer” means a taxpayer whose name appears in the active taxpayers’ list issued by the Board ¹[for Azad Jammu and Kashmir Council Board of Revenue or Gilgit-Baltistan Council Board of Revenue] from time to time or is holder of a taxpayer’s card;

² The word “notified” substituted by the Finance Act, 2005.

³ The figures, brackets and words “1980 (XXXI of 1980)” substituted by the Finance Act, 2002.

⁴ The words “by the Federal Government in the official Gazette as a financial institution” omitted by the Finance Act, 2003.

⁵ New clause (27A) inserted through Tax Laws (Second Amendment) Ordinance 2019 dated 26th December, 2019

- (iv) using any process or technology that has not earlier been used in Pakistan and is so approved by the Engineering Development Board; and
- (b) is approved by the Commissioner on an application made in the prescribed form and manner, accompanied by the prescribed documents and, such other documents as may be required by the Commissioner:

Provided that this definition shall be applicable from the 1st July, 2019 and onwards.]

- (28) "House Building Finance Corporation" means the Corporation constituted under the House Building Finance Corporation Act, 1952 (XVIII of 1952);
- ¹[(28A) "imputable income" in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax;"]
- ²[(29) "income" includes any amount chargeable to tax under this Ordinance, any amount subject to collection ³[or deduction] of tax under section 148, ⁴[150, 152(1), 153, 154, 156, 156A, 233, 233A,]⁵[,] sub-section (5) of section 234 ⁶[] ⁷[and] ⁸[any amount treated as income under any provision of this Ordinance] and any loss of income⁹[];
- ¹⁰[(29A) "income year" means income year as defined in the repealed Ordinance;]

¹Inserted by the Finance Act, 2015

² Clause (29) substituted by the Finance Act, 2002. The substituted clause read as follows:
 "(29) "income" includes any amount chargeable to tax under this Ordinance, any amount subject to collection of tax under Division II of Part V of Chapter X, sub-section (5) of 234 Division III of Chapter XII, and any loss of income;"

³ Inserted by the Finance Act, 2003.

⁴ The figures, commas and word "153, 154 and 156," substituted by the Finance Act, 2005.

⁵ The word "and" substituted by a comma by the Finance Act, 2014.

⁶The word and figure "and 236M" substituted by a comma by the Finance Act, 2015

⁷The expression " , 236M and 236N," substituted by the Finance Act, 2018

⁸ Inserted by the Finance Act, 2003.

⁹Omitted by the Finance Act, 2014. The omitted text read as follows:

"but does not include, in case of a shareholder of a company, the amount representing the face value of any bonus share or the amount of any bonus declared, issued or paid by the company to the shareholders with a view to increasing its paid up share capital."

¹⁰ Inserted by the Finance Act, 2002.

¹[(29B) “Individual Pension Account” means an account maintained by an eligible person with a Pension Fund Manager approved under the Voluntary Pension System Rules, 2005;]

²[(29C) “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 subsection of goods or materials to any process which substantially changes their original condition; or
- (ii) ship-building; or
- (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

¹ Inserted by the Finance Act, 2005.

²Clause (29C) substituted by the Finance Act, 2010. The substituted clause (29C) read as follows:-

“(29C) “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 subsection 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 Board may by notification in the official Gazette, specify;”.

- (b) any other industrial undertaking which the Board may by notification in the official gazette, specify.]

(30) “intangible” means an intangible as defined in section 24;

¹[(30A) “investment company” means an investment company as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]

²[(30AA) KIBOR means Karachi Inter Bank Offered Rate prevalent on the first day of each quarter of the financial year;]

³[(30B) “leasing company” means a leasing company as defined in the Non-Banking Finance Companies and Notified Entities Regulation, 2007;]

⁴[(30C) “liaison office” means a place of business acting for the principal, head office or any entity of which it is a part, and

- (a) its activities do not result in deriving income in Pakistan; and
- (b) maintains itself out of any amount remitted from outside Pakistan received through normal banking channels.

Explanation,— It is clarified that—

- (i) a place of business shall not be treated as liaison office if it engages in -
- (a) commercial activities;
- (b) trading or industrial activities; or
- (c) the negotiation and conclusion of contracts;
- (ii) the activities shall be treated to be commercial activities, if these include—
- (a) providing after sales services for goods or services;
- or

¹ Clause (30A) substituted by the Finance Act, 2008. The substituted clause (30A) read as follows:
“ (30A) “investment company” means a company registered under the Investment Companies and Investment Advisors Rules, 1971;”

² Inserted by the Finance Act, 2009.

³ Clause (30B) substituted by the Finance Act, 2008. The substituted clause (30B) read as follows:
“ (30B) “leasing company” means a company licensed under the Leasing Companies (Establishment and Regulation) Rules, 2000;

⁴ Inserted by the Finance Act, 2017.

- (b) marketing or promoting pharmaceutical and medical products or services;
- (iii) subject to clause (i), a place of business shall be treated as a liaison office, if it undertakes activities of—
 - (a) an exploratory or preparatory nature, to investigate the possibilities of trading with, or in, Pakistan;
 - (b) exploring the possibility of joint collaboration and export promotion;
 - (c) promoting products where such products are yet to be supplied to, or sold in, Pakistan;
 - (d) promoting technical and financial collaborations between its principal and taxpayers in Pakistan; or
 - (e) provision of technical advice and assistance.]
- (31) “liquidation” in relation to a company, includes the termination of a trust;
- ¹[(31A) “Local Government” shall have 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);]
- (32) “member” in relation to an association of persons, includes a partner in a firm;
- (33) “minor child” means an individual who is under the age of eighteen years at the end of a tax year;
- (34) “modaraba” means a modaraba as defined in the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (35) “modaraba certificate” means a modaraba certificate as defined in the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 (XXXI of 1980);

¹Inserted by the Finance Act, 2008.

¹[(35A) “Mutual Fund” means a mutual fund ²[registered or approved by the Securities and Exchange Commission of Pakistan];]

³[(35AA) “NCCPL” means National Clearing Company of Pakistan Limited, which is a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984) and licensed as “Clearing House” by the Securities and Exchange Commission of Pakistan,⁴[or any subsidiary of NCCPL notified by the Board for the purpose of this clause]

⁵[(35B) “non-banking finance company” means an NBFC as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;]

⁶[]

⁷[(36) “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;

¹ Inserted by the Finance Act, 2002

² The words “set up by the Investment Corporation of Pakistan or by an investment company” substituted by the Finance Act, 2003.

³ Inserted by the Finance Act, 2012.

⁴ Inserted by the Finance Act, 2017

⁵ Clause (35B) substituted by the Finance Act, 2008. The substituted clause (35B) read as follows:
 “ (35B) “non-banking finance company” means an institution notified under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.”

⁶ Omitted by Finance Act, 2019. Omitted clause read as follow:

(35C) “non-filer” means a person who is not a filer;

⁷ Clause (36) substituted by the Finance Act, 2002. The substituted clause (36) read as follows:

- “(36) “non-profit organization” means any person –
- (a) established for religious, charitable or educational purposes, or for the promotion of amateur sport;
 - (b) which is registered under any law as a non-profit organization and in respect of which the Commissioner has issued a ruling certifying that the person is a non-profit organization for the purposes of this Ordinance; and
 - (c) none of the income or assets of the person confers, or may confer a private benefit on any other person”;

and none of the assets of such person confers, or may confer, a private benefit to any other person;]

- (37) “non-resident person” means a non-resident person as defined in Section 81;
- (38) “non-resident taxpayer” means a taxpayer who is a non-resident person;
- ¹[(38A) “Officer of Inland Revenue” means any Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Inland Revenue Officer, Inland Revenue Audit Officer,²[District Taxation Officer Inland Revenue, Assistant Director Audit,]or any other officer however designated or appointed by the Board for the purposes of this Ordinance;]
- ³[(38AA) “offshore asset” in relation to a person, includes any movable or immovable asset held, any gain, profit, or income derived, or any expenditure incurred outside Pakistan;
- (38AB) “offshore evader” means a person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such asset to the Commissioners.;
- (38AC) “offshore enabler” includes any person who, enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion;]
- ⁴[(38B) “online marketplace” means an information technology platform run by e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller;]

¹Substituted by the Finance Act, 2010. The substituted provision has been made effective from 05.06.2010 by sub-clause (77) of clause 8 of the Finance Act, 2010. Earlier the substitution was made through Finance (Amendment) Ordinance, 2009 which was re-promulgated as Finance (Amendment) Ordinance, 2010 and remained effective till 05.06.2010. The substituted clause (38A) read as follows:

“(38A) “Officer of Inland Revenue” means any Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Inland Revenue Officer, Special Officer Inland Revenue or any other officer however designated or appointed by the Board for the purposes of this Ordinance.”

²Inserted by the Finance Act, 2017

³New clauses (38AA), (38AB) & (38AC) inserted by Finance Act, 2019

⁴Inserted by the Finance Act, 2017

- (39) “Originator” means Originator as defined in the Asset Backed Securitization Rules, 1999;
- (40) “Pakistan-source income” means Pakistan-source income as defined in section 101;
- ¹[(40A) “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;]
- (41) “permanent establishment” in relation to a person, means a ²[[fixed] place of business through which the business of the person is wholly or partly carried on, and includes –
- (a) a place of management, branch, office, factory or workshop, ³[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;
- ⁴[(ba) an agricultural, pastoral or forestry property;]
- (c) a building site, a construction, assembly or installation project or supervisory activities ⁵[connected] with such site or project ⁶[but only where such site, project and its ⁷[connected] supervisory activities continue for a period or periods aggregating more than ninety days within any twelve-months period] ;

¹ Inserted by the Finance Act, 2005.

² Inserted by the Finance Act, 2006.

³ Inserted by the Finance Act, 2003.

⁴ Inserted by the Finance Act, 2003.

⁵The word “connect” substituted by the Finance Act, 2010.

⁶ Inserted by the Finance Act, 2006.

⁷The word “connect” substituted by the Finance Act, 2010.

- (d) the furnishing of services, including consultancy services, by any person through employees or other personnel engaged by the person for such purpose ¹[];
- (e) a person acting in Pakistan on behalf of the person (hereinafter referred to as the “agent ²[”],) other than an agent of independent status acting in the ordinary course of business as such, if the agent –
- ³“(i) has and habitually exercises an authority to conclude contracts on behalf of the other person or habitually concludes contracts or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person and these contracts are—
- (a) in the name of the person; or
- (b) for the transfer of the ownership of or for the granting of the right to use property owned by that enterprise or that the enterprise has the right to use; or
- (c) for the provision of services by that person; or”]
- (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
- ⁴[*Explanation.*—For removal of doubt, it is clarified that an agent of independent status acting in the ordinary course of business does not include a person acting exclusively or almost exclusively on behalf of the person to which it is an associate; or”];
- (f) any substantial equipment installed, or other asset or property capable of activity giving rise to income;

¹ The words “, but only where activities of that nature continue for the same or a connected project within Pakistan for a period or periods aggregating more than ninety days within any twelve-month period” omitted by the Finance Act, 2003.

² Comma substituted by the Finance Act, 2002

³ Paragraph (i) substituted by Finance Act 2018, the substituted Paragraph (i) is read as under:
“has and habitually exercises an authority to conclude contracts on behalf of the other person;”

⁴ Added by the Finance Act, 2018

¹[(g) a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and—

- (i) that place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause; or
- (ii) business carried on by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

Explanation.—For the removal of doubt, it is clarified that—

(A) the term "cohesive business operation" includes an overall arrangement for the supply of goods, installation, construction, assembly, commission, guarantees or supervisory activities and all or principal activities are undertaken or performed either by the person or the associates of the person; and

(B) supply of goods include the goods imported in the name of the associate or any other person, whether or not the title to the goods passes outside Pakistan.]

(42) "person" means a person as defined in section 80;

²[(42A) "PMEX" means Pakistan Mercantile Exchange Limited a futures commodity exchange company incorporated under the Companies Ordinance, 1984(XLVII of 1984) and is licensed and regulated by the Securities and Exchange Commission of Pakistan;"]

(43) "pre-commencement expenditure" means a pre-commencement expenditure as defined in section 25;

(44) "prescribed" means prescribed by rules made under this Ordinance;

³[(44A) "principal officer" used with reference to a company or association of persons includes –

- (a) a director, a manager, secretary, agent, accountant or any similar officer; and

¹Added by the Finance Act, 2018

²Inserted by the Finance Act, 2015.

³Inserted by the Finance Act, 2003.

- (b) any person connected with the management or administration of the company or association of persons upon whom the Commissioner has served a notice of treating him as the principal officer thereof;]

(45) “private company” means a company that is not a public company;

¹[]

²[]

(46) “profit on a debt” ³[whether payable or receivable, means] —

- (a) any profit, yield, interest, discount, premium or other amount ⁴[,] 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;

(47) “public company” means —

- (a) a company in which not less than fifty per cent of the shares are held by the Federal Government ⁵[or Provincial Government];

⁶[(ab) a company in which ⁷[not less than fifty per cent of the] shares are held by a foreign Government, or a foreign company owned by a foreign Government ⁸[;.]]

¹Clause (45A) omitted by the Finance Act, 2008. The omitted clause (45A) read as follows:

“(45A) “Private Equity and Venture Capital Fund” means a fund registered with the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;”

²Clause (45B) omitted by the Finance Act, 2008. The omitted clause (45B) read as follows:

“(45B) “Private Equity and Venture Capital Fund Management Company” means a company licensed by the Securities and Exchange Commission of Pakistan under the Private Equity and Venture Capital Fund Rules, 2007;”

³The word “means” substituted by the Finance Act, 2003.

⁴Comma inserted by the Finance Act, 2002.

⁵Inserted by the Finance Act, 2003.

⁶Inserted by the Finance Act, 2003.

⁷Inserted by the Finance Act, 2005.

⁸The full stop substituted by the Finance Act, 2005.

- (b) 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 ¹[] at the end of that year; or
- ²[(c) a unit trust whose units are widely available to the public and any other trust as defined in the Trusts Act, 1882 (II of 1882);]
- ³[(47A) “REIT Scheme” means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2015;”]
- ⁴[(47B) “Real Estate Investment Trust Management Company ⁵[RMC] means ⁶[RMC] as defined under the Real Estate Investment Trust Regulations, ⁷[2015];]
- ⁸[(47C) “Rental REIT Scheme” means a Rental REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2015;”]
- (48) “recognised provident fund” means a provident fund recognised by the Commissioner in accordance with Part I of the Sixth Schedule;
- ⁹[]
- (49) “rent” means rent as defined in sub-section (2) of section 15 and includes an amount treated as rent under section 16;
- ¹⁰[(49A) “repealed Ordinance” means Income Tax Ordinance, 1979 (XXXI of 1979);]

¹ The words “and was on the Central Depository System,” omitted by the Finance Act, 2002.

² Clause (c) substituted by the Finance Act, 2003. The substituted clause (c) read as follows:
“(c) a unit trust whose units are widely available to the public and any other public trust;”

³ Clause (47A) substituted by the Finance Act, 2015. The substituted clause read as follows:
“(47A) “Real Estate Investment Trust (REIT) Scheme” means a REIT Scheme as defined in the Real Estate Investment Trust Regulations, 2008;

⁴ Clause (47B) substituted by the Finance Act, 2008. The substituted clause (47B) read as follows:
“(47B) “Real Estate Investment Trust Management Company” means a company licensed by the Security and Exchange Commission of Pakistan under the Real Estate Investment Trust Rules, 2006.”

⁵ Inserted by the Finance Act, 2015.

⁶ Inserted by the Finance Act, 2015.

⁷ The figure “2008” substituted by the Finance Act, 2015.

⁸ Inserted by the Finance Act, 2015.

⁹ Clause (48A) omitted by the Finance Act, 2010. The omitted clause (48A) read as follows:
“(48) “Regional Commissioner” means a person appointed as a Regional Commissioner of Income Tax under section 208 and includes a Director-General of Income Tax and Sales Tax.”

¹⁰ Inserted by the Finance Act, 2002

- (50) “resident company” means a resident company as defined in section 83;
- (51) “resident individual” means a resident individual as defined in section 82;
- (52) “resident person” means a resident person as defined in section 81;
- (53) “resident taxpayer” means a taxpayer who is a resident person;
- (54) ¹“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 fibre 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 ²[sub-clauses] (a) through (e); ³[and]

¹ The word “royalties” substituted by the Finance Act, 2002.

² The word “clauses” substituted by the Finance Act, 2002.

³ Added by the Finance Act, 2005.

- (g) the disposal of any property or right referred to in ¹[sub-clauses] (a) through (e);
- (55) “salary” means salary as defined in section 12;
- (56) “Schedule” means a Schedule to this Ordinance;
- (57) “securitization” means securitization as defined in the Asset Backed Securitization Rules, 1999;
- (58) “share” in relation to a company, includes a modaraba certificate and the interest of a beneficiary in a trust (including units in a trust);
- (59) “shareholder” in relation to a company, includes a modaraba certificate holder, ²[a unit holder of a unit trust] and a beneficiary of a trust;
- ³[(59A) “Small Company” means a company registered on or after the first day of July, 2005, under the Companies Ordinance, 1984 (XLVII) of 1984, which,—
- (i) has paid up capital plus undistributed reserves not exceeding ⁴[fifty]million rupees;
 - ⁵[(ia) has employees not exceeding two hundred and fifty any time during the year;]
 - (ii) has annual turnover not exceeding two hundred ⁶[and fifty] million rupees; and
 - (iii) is not formed by the splitting up or the reconstitution of company already in existence;]
- ⁷[(59B) “Special Judge” means the Special Judge appointed under section 203;]

¹ The word “clauses” substituted by the Finance Act, 2002

² Inserted for “, a unit holder of a unit trust” by the Finance Act, 2002

³ Inserted by the Finance Act, 2005.

⁴The word “twenty-five” substituted by the Finance Act, 2015

⁵Inserted by the Finance Act, 2007.

⁶Inserted by the Finance Act, 2007.

⁷Inserted by the Finance Act, 2014.

- (60) “Special Purpose Vehicle” means a Special Purpose Vehicle as defined in the Asset Backed Securitization Rules, 1999;
- ¹[(60A) “specified jurisdiction” means any jurisdiction which has committed to automatically exchange information under the Common Reporting Standard with Pakistan;]
- (61) “speculation business” means a speculation business as defined in section 19;
- ²[(61A) “stock fund” means a collective investment scheme or a mutual fund where the investible funds are invested by way of equity shares in companies, to the extent of more than seventy per cent of the investment;]
- (62) “stock-in-trade” means stock-in-trade as defined in section 35;
- ³[(62A) “startup” means,—
- (i) a business of a resident individual, AOP or a company that commenced on or after first day of July, 2012 and the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PSEB) and has turnover of less than one hundred million in each of the last five tax years; or
 - (ii) any business of a person or class of persons, subject to the conditions as the Federal Government may, by notification in the official Gazette, specify.;
- (63) “tax” means any tax imposed under Chapter II, and includes any penalty, fee or other charge or any sum or amount leviable or payable under this Ordinance;
- (64) “taxable income” means taxable income as defined in section 9;
- ⁴[]

¹(60A) Inserted by the Finance Act, 2019

² Inserted by the Finance Act, 2014..

³ Inserted by the Finance Act, 2017

⁴ Clause (65) omitted by the Finance Act, 2010. The omitted Clause (65) read as follows:

“(65) “taxation officer” means any Additional Commissioner of Income Tax, Deputy Commissioner of Income Tax, Assistant Commissioner of Income Tax, Income Tax

- (66) “taxpayer” means any person who derives an amount chargeable to tax under this Ordinance, and includes —
- (a) any representative of a person who derives an amount chargeable to tax under this Ordinance;
 - (b) any person who is required to deduct or collect tax under Part V of Chapter X ¹[and Chapter XII;] or
 - (c) any person required to furnish a return of income or pay tax under this Ordinance;
- (67) “tax treaty” means an agreement referred to in section 107;
- (68) “tax year” means the tax year as defined in sub-section (1) of section 74 and, in relation to a person, includes a special year or a transitional year that the person is permitted to use under section 74;
- (69) “total income” means total income as defined in section 10;
- (70) “trust” means a “trust” as defined in section 80;
- ²[(70A) “turnover” means turnover as defined in sub-section (3) of section 113;]
- (71) “underlying ownership” means an underlying ownership as defined in section 98;
- (72) “units” means units in a unit trust;
- (73) “unit trust” means a unit trust as defined in section 80; and
- ³[(73A) “unspecified jurisdiction” means a jurisdiction which is not a specified jurisdictions.]
- ⁴[(74) “Venture Capital Company” and “Venture Capital Fund” shall have the same meanings as are assigned to them under the ⁵[Non-

Officer, Special Officer or any other officer however designated appointed by the Board for the purposes of this Ordinance;”

¹ Inserted by the Finance Act, 2002

² Inserted by the Finance Act, 2009.

³ (73A) inserted through Finance Act, 2019.

⁴ Added by Finance Act, 2002

⁵ The words, brackets, comma and figure “Venture Capital Company and Venture Capital Fund Rules, 2001” substituted by the Finance Act, 2004.

Banking Finance ¹[Companies] (Establishment and Regulation) Rules, 2003];

²[(75) “whistleblower” means whistleblower as defined in section 227B;”]

3. Ordinance to override other laws.—The provisions of this Ordinance shall apply notwithstanding anything to the contrary contained in any other law for the time being in force.

CHAPTER II CHARGE OF TAX

4. Tax on taxable income.— (1) Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in ³[Division I, IB or II] of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year.

(2) The income tax payable by a taxpayer for a tax year shall be computed by applying the rate or rates of tax applicable to the taxpayer under this Ordinance to the taxable income of the taxpayer for the year, and from the resulting amount shall be subtracted any tax credits allowed to the taxpayer for the year.

(3) Where a taxpayer is allowed more than one tax credit for a tax year, the credits shall be applied in the following order –

- (a) any foreign tax credit allowed under section 103; then
- (b) any tax credit allowed under Part X of Chapter III; and then
- (c) any tax credit allowed under sections ⁴[] 147 and 168.

(4) Certain classes of income (including the income of certain classes of persons) may be subject to –

- (a) separate taxation as provided in sections 5, 6 and 7; or
- (b) collection of tax under Division II of Part V of Chapter X or deduction of tax under Division III of Part V of Chapter X as a final tax on the income ⁵[of] the person.

¹ The word “Company” substituted by the Finance Act, 2005.

² Inserted by the Finance Act, 2015.

³The words and letters “Division I or II” substituted by the Finance Act, 2010.

⁴ The figure and comma “140,” omitted by the Finance Act, 2003.

⁵The word “or” substituted by the Finance Act, 2010.

(5) Income referred to in sub-section (4) shall be subject to tax as provided for in section 5, 6 or 7, or Part V of Chapter X, as the case may be, and shall not be included in the computation of taxable income in accordance with section 8 or 169, as the case may be.

¹[(6) Where, by virtue of any provision of this Ordinance, income tax is to be deducted at source or collected or paid in advance, it shall, as the case may be, be so deducted, collected or paid, accordingly ²[.]]

³[]

⁴[4B. Super tax for rehabilitation of temporarily displaced persons.— (1) A super tax shall be imposed for rehabilitation of temporarily displaced persons, for tax years 2015 ⁵[and onwards], at the rates specified in Division IIA of Part I of the First Schedule, on income of every person specified in the said Division.

(2) For the purposes of this section, “income” shall be the sum of the following:—

- (i) profit on debt, dividend, capital gains, brokerage and commission;
- (ii) taxable income⁶[(other than brought forward depreciation and brought forward business losses)] under section (9) of this Ordinance, if not included in clause (i);
- (iii) imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and

¹ Added by the Finance Act, 2003.

² The semicolon substituted by the Finance Act, 2005.

³Omitted by the Finance Act, 2014. Section 4A was added by Income Tax (Amendment) Ordinance, dated 30.05.2011. Earlier the identical section 4A was added by Income Tax (Amendment) Ordinance, dated 16.03.2011. The omitted section 4A read as follows: —

“**4A** Surcharge. — (1) Subject to this Ordinance, a surcharge shall be payable by every taxpayer at the rate of fifteen per cent of the income tax payable under this Ordinance including the tax payable under Part V of Chapter X of Chapter XIII, as the case may be, for the period commencing from the promulgation of this Ordinance, till the 30th June, 2011.

(2) Surcharge shall be paid, collected, deducted and deposited at the same time and in the same manner as the tax is paid, collected, deducted and deposited under this Ordinance including Chapter X or XII as the case may be:

Provided that this surcharge shall not be payable for the tax year 2010 and prior tax years and shall be applicable, subject to the provisions of sub-section (1), for the tax year 2011 only.”

⁴Inserted by the Finance Act, 2015.

⁵The “expression” “to 2020” substituted by “and onwards” through Finance Supplementary (Second Amendment) Act, 2019.

⁶Inserted by the Finance Act, 2016.

(iv) income computed, ¹[other than brought forward depreciation, brought forward amortization and brought forward business losses] under Fourth, Fifth, Seventh and Eighth Schedules.

(3) The super tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section (1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.

(4) Where the super tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the super tax payable, and shall serve upon the person, a notice of demand specifying the super tax payable and within the time specified under section 137 of the Ordinance.

(5) Where the super tax is not paid by a person liable to pay it, the Commissioner shall recover the super tax payable under subsection (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of super tax as these apply to the collection of tax under the Ordinance.

(6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.]

5. Tax on dividends.— (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division III of Part I of the First Schedule, on every person who receives a dividend from a ²[] company³[or treated as dividend under clause (19) of section 2].

(2) The tax imposed under sub-section (1) on a person who receives a dividend shall be computed by applying the relevant rate of tax to the gross amount of the dividend.

(3) This section shall not apply to a dividend that is exempt from tax under this Ordinance.

⁴5A. Tax on undistributed profits.—(1) For tax ¹[years 2017 to 2019], a tax shall be imposed at the rate of ²[five] percent of its accounting profit before tax on

¹Inserted by the Finance Act, 2019.

²The word "resident" omitted by the Finance Act, 2003.

³Inserted by the Finance Act, 2009.

⁴ section 5A substituted by the Finance Act, 2017. The substituted section read as follows:-

"5A. Tax on undistributed reserves.—(1) Subject to this Ordinance, a tax shall be imposed at the rate of ten percent, on every public company other than a scheduled bank or a modaraba, that derives profits for a tax year but does not distribute cash dividends within six months of the end of the said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of hundred percent of its paid up capital, so much of its reserves as exceed hundred per cent of its paid up capital shall be treated as income of the said company:

Provided that for tax year 2015, cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of return for tax year 2015.

(2) The provisions of sub-section (1) shall not apply to—

every public company, other than a scheduled bank or a *modaraba*, that derives profit for a tax year but does not distribute at least ³[twenty] percent of its after tax profits within six months of the end of the tax year through cash ⁴[]:

Provided that for tax year 2017, bonus shares or cash dividends may be distributed before the due date mentioned in sub-section (2) of section 118, for filing of a return.

- (2) The provisions of sub-section (1) shall not apply to—
- (a) a company qualifying for exemption under clause (132) of Part I of the Second Schedule; and
 - (b) a company in which not less than fifty percent shares are held by the Government.]

⁵[5AA. Tax on return on investments in sukus.—(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIB of Part I of the First Schedule, on every person who receives a return on investment in *sukus* from a special purpose vehicle⁶[, or a company].

(2) The tax imposed under sub-section (1) on a person who receives a return on investment in *sukus* shall be computed by applying the relevant rate of tax to the gross amount of the return on investment in *sukus*.

(3) This section shall not apply to a return on investment in *sukus* that is exempt from tax under this Ordinance.”]

6. Tax on certain payments to non-residents.— (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IV of Part I of

(a) a public company which distributes profit equal to either forty per cent of its after tax profits or fifty per cent of its paid up capital, whichever is less, within six months of the end of the tax year;

(a) a company qualifying for exemption under clause (132) of Part I of the Second Schedule; and

(b) a company in which not less than fifty percent shares are held by the Government.

(3) For the purpose of this section, ‘reserve’ includes amounts set aside out of revenue or other surpluses excluding capital reserves, share premium reserves and reserves required to be created under any law, rules or regulations.”]

¹ The “expression” “year 2017 and onwards” substituted by “years 2017 to 2019” through Finance Supplementary (Second Amendment) Act, 2019

⁵The word “seven and half” substituted by the Finance Act, 2018

³The word “forty” substituted by the Finance Act, 2018

⁴The word “or bonus shares” omitted by the Finance Act, 2018

⁵Inserted by the Presidential Order No. F.2(1)/2016-Pub dated 31.08.2016.

⁶Inserted by the Finance Act, 2017

the First Schedule, on every non-resident person who receives any Pakistan-source royalty ¹[, fee for offshore digital services] or fee for technical services.

(2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross amount of the royalty or fee for technical services.

(3) This section shall not apply to —

- (a) any royalty where the property or right giving rise to the royalty is effectively connected with a permanent establishment in Pakistan of the non-resident person;
- (b) any fee for technical services ²[or fee for offshore digital services] where the services giving rise to the fee are rendered through a permanent establishment in Pakistan of the non-resident person; or
- (c) any royalty or fee for technical services that is exempt from tax under this Ordinance.

(4) Any Pakistani-source royalty ³[, fee for offshore digital services] or fee for technical services received by a non-resident person to which this section does not apply by virtue of clause (a) or (b) of sub-section (3) shall be treated as income from business attributable to the permanent establishment in Pakistan of the person.

7. Tax on shipping and air transport income of a non-resident person.—

(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division V of Part I of the First Schedule, on every non-resident person carrying on the business of operating ships or aircrafts as the owner or charterer thereof in respect of —

- (a) the gross amount received or receivable (whether in or out of Pakistan) for the carriage of passengers, livestock, mail or goods embarked in Pakistan; and
- (b) the gross amount received or receivable in Pakistan for the carriage of passengers, livestock, mail or goods embarked outside Pakistan.

¹Inserted by the Finance Act, 2018

²Inserted by the Finance Act, 2018

³Inserted by the Finance Act, 2018

(2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross amount referred to in sub-section (1).

(3) This section shall not apply to any amounts exempt from tax under this Ordinance.

¹[7A. Tax on shipping of a resident person.—(1) In the case of any resident person engaged in the business of shipping, a presumptive income tax shall be charged in the following manner, namely:—

- (a) ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flag shall pay tonnage tax of an amount equivalent to one US \$ per gross registered tonnage per annum; and
- (b) ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter other than bare-boat charter shall pay tonnage tax of an amount equivalent to fifteen US cents per ton of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US \$ per ton of gross registered tonnage per annum:

*Explanation.—*For the purpose of this section, the expression “equivalent amount” means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.

(2) The provisions of this section shall not be applicable after the 30th June, 2020.”]

²[7B. Tax on profit on debt.—(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIA of Part I of the First Schedule, on every person, other than a company, who receives a profit on debt from any person mentioned in clauses (a) to (d) of sub-section (1) of section 151.

(2) The tax imposed under sub-section (1) on a person, other than a company, who receives a profit on debt shall be computed by applying the relevant rate of tax to the gross amount of the profit on debt.

¹Inserted by the Finance Act, 2015

²Inserted by the Finance Act, 2015

¹[(3) This section shall not apply to a profit on debt that –

- (a) is exempt from tax under this Ordinance; or
- (b) exceeds thirty six million Rupees.]

²**7C. Tax on builders.—** (1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business of construction and sale of residential, commercial or other buildings at the rates specified in Division VIII A of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other building being constructed for sale.

(3) The Board may prescribe:

- (a) the mode and manner for payment and collection of tax under this section;
- (b) the authorities granting approval for computation and payment plan of tax; and
- (c) responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

³[(4) This section shall apply to projects undertaken for construction and sale of residential and commercial buildings initiated and approved.—

- (a) during tax year 2017 only;
- (b) for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017; and
- (c) the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13U of the Income Tax Rules, 2002.]

⁴**7D. Tax on developers.—**(1) Subject to this Ordinance, a tax shall be imposed on the profits and gains of a person deriving income from the business

¹Sub clause 3 of 7B substituted by Finance Act, 2019, substituted clause read as follow:

“(3) This section shall not apply to a profit on debt that is exempt from tax under this Ordinance.”

² Inserted by the Finance Act, 2016.

³Section 4 substituted by the Finance Act, 2017. The substituted section read as follows:

“This section shall apply to business or projects undertaken for construction and sale of residential, commercial or other buildings initiated and approved after the 1st July, 2016.”]

⁴ Inserted by the Finance Act, 2016.

of development and sale of residential, commercial or other plots at the rates specified in Division VIII B of Part I of the First Schedule.

(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the area of the residential, commercial or other plots for sale.

(3) The Board may prescribe:

- (a) the mode and manner for payment and collection of tax under this section;
- (b) the authorities granting approval for computation and payment plan of tax; and
- (c) responsibilities and powers of the authorities approving, suspending and cancelling no objection certificate to sell and the matters connected and ancillary thereto.

¹[(4) This section shall apply to projects undertaken for development and sale of residential and commercial plots initiated and approved.—

- (a) during tax year 2017 only;
- (b) for which payment under rule 13S of the Income Tax Rules, 2002 has been made by the developer during tax year 2017; and
- (c) the Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with rule 13ZB of the Income Tax Rules, 2002.”;

8. General provisions relating to taxes imposed under sections 5, 6 and 7 (1)-Subject to this Ordinance, the tax imposed under Sections 5, ²[] ³[] ⁴[" 5AA"] 6, 7, 7A ⁵[and 7B] shall be a final tax on the amount in respect of which the tax is imposed and—

- (a) such amount shall not be chargeable to tax under any head of income in computing the taxable income of the person who derives it for any tax year;
- (b) no deduction shall be allowable under this Ordinance for any expenditure incurred in deriving the amount;

¹Section 4 substituted by the Finance Act, 2017. The substituted section read as follows:

“This section shall apply to projects undertaken for development and sale of residential, commercial or other plots initiated and approved after the 1st July, 2016.”

²The word and figure “6 and 7” substituted by the Finance Act, 2015

³The expression “5A,” omitted by the Finance Act, 2018

⁴Inserted by the Presidential Order No.F.2(1)/2016-Pub dated 31.08.2016.

⁵The expression “, 7B,7C and 7D” substituted by the Finance Act, 2017.

- (c) the amount shall not be reduced by —
 - (i) any deductible allowance; or
 - (ii) the set off of any loss;
- (d) the tax payable by a person under¹[section]5, ²[5A,³“ 5AA”] 6, 7, 7A⁴[and 7B]shall not be reduced by any tax credits allowed under this Ordinance; and
- (e) the liability of a person under⁵[section] 5, 6 or 7 shall be discharged to the extent that —
 - (i) in the case of shipping and air transport income, the tax has been paid in accordance with section 143 or 144, as the case may be; or
 - (ii) in any other case, the tax payable has been deducted at source under Division III of Part V of Chapter X ⁶[.]

⁷[]

¹The word “sections” substituted by the word “section”by the Finance Act, 2014.

²The word and figure “6 or 7” substituted by the Finance Act, 2015.

³ Inserted by the Presidential Order No.F.2(1)/2016-Pub dated 31.08.2016.

⁴The expression “ , 7B, 7C and 7D” substituted by the Finance Act, 2017.

⁵The word “sections” substituted by the word “section”by the Finance Act, 2014.

⁶ Colon substituted by the Finance Act, 2013.

⁷ Proviso omitted by the Finance Act, 2013. The omitted proviso read as follows:

“Provided that the provision of this section shall not apply to dividend received by a company.”