



**INCOME TAX
ORDINANCE
2001**

BY:

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**“In this world, nothing is certain
but death and taxes”
-Benjamin Franklin**



KINDS OF TAXATION

- **INCOME TAX:** is a tax imposed on individuals or entities that varies with respective income or profits.
- **EXCISE DUTY:** Is an indirect tax charged by the government on the sale of a particular good or service.
- **SALES TAX:** Is a tax paid by the final consumer to a government for the sales of certain goods and services.
- **WITHHOLDING TAX:** is an act of deduction or collection of **tax** at source.

INCOME TAX LAW:

- Law concerning taxation of income in Pakistan is stated in the Income Tax Ordinance, 2001 (the Ordinance) and the rules framed there under viz. Income Tax Rules, 2002 (the Rules).
- The Ordinance is a Central statute and is, therefore, applicable to the whole of Pakistan.
- Under section 4 of the Ordinance, income tax is imposed for each tax year at specified rates on every person who has taxable income for the year.

HEADS OF INCOME TAX IN PAKISTAN

Under the Ordinance, income is classified into the following five heads:

- Salary
- Income from property
- Income from business
- Capital gains
- Income from other sources



Income from Salary

Income from Salary

Salary includes:-

- Wages
- Any gratuity
- Any fees, commission, bonus, perquisite on profits.
- Any advance of salary
- Any earned leave
- Employer's contribution (taxable) towards recognized provident fund.



*Income from
House Property*

CONDITIONS TO BE SATISFIED

- The property must consist of buildings or lands
- The assessee must be the owner of such house property.
- The property should not be used by the owner thereof for the purpose of any business or profession carried on by him, the profits of which are chargeable to tax.




*Income from
Business & Profession*

BASIS OF CHARGE

The following income is chargeable to tax under the head “Profits of business or profession”

- Profits of any business or profession;
- Any compensation or other payments due to or received by any person specified
- Income derived by a trade, professional or similar association from specific services performed for its members

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- The value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession
 - Any profit on transfer of the Duty Entitlement Pass Book Scheme.
 - Any profit on the transfer of the duty free replenishment certificate
 - Export incentive available to exporters
 - Any interest, salary, bonus, commission or remuneration received by a partner from firm; Any sum received for not carrying out any activity in relation to any business or not to share any know-how, patent, copyright, trademark, etc.



*Income from Capital
Gains*

BASIS OF CHARGE

Capital Gain's tax liability arises only when the following conditions are satisfied:

- There should be a capital asset.
- The capital asset is transferred by the assessee
- Such transfer takes place during the previous year.
- Any profit or gains arises as a result of transfer.



*Income from
Other Sources*



GENERAL

Income of every kind, which is not to be excluded from the total income and not chargeable to tax under any other head, shall be chargeable under the head “Income from Other Sources”.

SPECIFIC INCOME

- Dividends
- Lottery winnings
- Income by way of interest on securities
- Interest on bank deposits and loan



The End