

non-profit
organizations

**UCO
Taxbook 4**



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About

This document contains basic tax provisions applicable on Non-Profit Organizations operating in Pakistan with changes incorporated through Finance Act 2020.

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Preface

For the year 2020-21 the federal budget was presented on 12th June, 2020 and has been formally approved by the National Assembly after the assent of the President of Pakistan on June 30, 2020, hence provisions including in this commentary have been duly enacted and no further amendments are anticipated except through separate circulars/notifications, if issued by respective authorities.

This year UCO Taxbook series has been issued for the convenience and guidance of different category of tax payers and sharing required information which is of their interest and relevance. These booklets start with a brief applicability of taxation on respective tax payers along with changes brought through Finance Act 2020. For ease of readers' understanding, UCO Taxbooks have been developed for the following classes of taxpayers:

UCO Taxbook 1

is for Resident and
Non-Resident Individuals
not doing business

UCO Taxbook 2

is for Small Business
by single person

UCO Taxbook 3

is for Small Business
by two or more persons

UCO Taxbook 4

is for Non-Profit
Organizations
based in Pakistan

UCO Tax Card is for
applicable withholding
tax on above classes of
taxpayers.

This is UCO Taxbook-4
for Non-Profit organizations
and is divided into following
sections:

- A** NPO's Status & Taxation
- B** Taxability of NPO
- C** Administrative Provisions

UCO Taxbook Series 2020
can also be accessed through our website
www.usmanico.com
and Firm's all social media pages.

Section A

a



NPO's Status & Taxation

A-1 SCOPE

This book will discuss matters related to taxation aspects of Non-Profit organizations (NPOs). The income of NPO is taxable but there are certain provisions which allow exemptions or tax credit to avoid tax on its income.

Definition of NPO: As per tax law, Non-Profit Organization (NPO) means any person other than individual which is:

- (a) Established for religious, educational, charitable, welfare or development purposes or for the promotion of amateur sport;
- (b) Formed and registered as an NPO under a law;
- (c) Approved by the Commissioner Inland Revenue.

Through changes brought by Finance Act 2020, the words “development purposes” has been changed to “purposes for general public”.

A-2 EXEMPTION & TAX CREDIT

The Income Tax Ordinance 2001, provides certain exemptions and tax credit for non-profit organizations. As such income of NPO will not be taxable under the following two provisions:

1. Unconditional exemption available under clause (66) of Second Schedule of the Income Tax Ordinance 2001; and
2. Tax Credit available under section 100C of the Income Tax Ordinance 2001.

A-2.1 Unconditional exemption

The income of NPO is exempt from tax without any condition, if its name is appearing in clause (66) of Part I of Second Schedule to the Income Tax Ordinance.

The Finance Act 2020 has changed the unconditional exemption as given in A-2.1 above as per clause (66) of Part I of Second Schedule and has divided the relevant unconditional exemption into two classes of NPOs and inserted two tables in this respect as follows:

Table 1: The institutions / organizations mentioned in this table are exempt from income tax without any condition.

Table 2: The institutions / organizations mentioned in this table are exempt from income tax subject to the fulfillment of conditions mentioned under section 100C (as given in A-2.2) for availing tax credit. However, the conditions are required to be fulfilled after 30th June, 2021.

The above change is presented in tabular form as follows:

Description	Exemption
NPO falling under Table 1 of clause (66)	Unconditional exemption of all incomes (falls in A-2.1)
NPO falling under Table 2 of clause (66)	
- Till 30 June 2021	Unconditional exemption of all incomes (falls in A-2.1)
- After 30 June 2021	Exemption of income subject to conditions mentioned under section 100C (will fall in A-2.2)
NPO not falling under any of the above Tables	100% tax credit subject to conditions under section 100C (falls in A-2.2)

A-2.2 Tax Credit under Section 100C

The NPO whose name is not appearing in clause (66) of Part I of Second Schedule to the Income Tax Ordinance will be entitled to claim 100% tax credit of its tax liability subject to fulfilment of the following conditions:

- (a) Return has been filed;
- (b) Tax required to be deducted/collected has been deducted/collected and paid;
- (c) Withholding tax statements for the immediately preceding tax year have been filed;
- (d) Administrative and management expenditure does not exceed 15% of total receipts. However, this condition will not be applicable on NPO, if charitable and welfare activities of NPO were started within last three years and total receipts during the tax year are less than Rs. 100 million.
- (e) Commissioner's approval has been obtained

Commissioner's approval is obtained after satisfying various requirements specified in the Income Tax Rules, which include restriction on salary expenditure of NPO which should not exceed 50% of total receipts (excluding restricted donations) during a tax year.

- (f) None of the assets of NPO confers private benefit of donor or any of his family members, or maker of institution or to any other person.
- (g) Through changes by Finance Act 2020, statement of voluntary contributions and donations received in immediately preceding tax year is also required to be filed.

A-3. WHEN INCOME OF NPO IS TAXABLE

The income of NPO other than those whose name appear in Table-1 and Table-2 (up to 30th June 2021) of clause (66) of second schedule of the Income Tax Ordinance 2001, will be taxed in the following two situations:

1. In case any of the conditions mentioned in A-2.2 above are not met, the tax liability will be determined and the income will be taxed as per normal rates of taxes applicable to companies.
2. Irrespective of the fact that all conditions mentioned in A-2.2 are fulfilled, surplus funds of NPO will be taxed at 10%. For the purpose of this taxability, surplus funds mean the funds
 - (i) not spent on charitable activities;
 - (ii) received from donations, voluntary contributions, subscriptions and other incomes;
 - (iii) which are more than 25% of total receipts of NPO during the tax year; and

- (iv) not part of restricted fund as defined in the Ordinance.

The taxability of NPO is further discussed in detail in **Section B** of this document.

A-4. WHICH INCOME OF NPO IS ELIGIBLE FOR TAX CREDIT

The allowability of tax credit under section 100C is not limited to compliance of conditions as given in A-2.2 above but NPO is also required to determine income eligible for said tax credit. The following income earned by NPOs are allowed and eligible for tax credit:

- (i) Donation, voluntary contributions, subscriptions, house property income, income from investment in Federal Government securities and business income. However, business income will be allowed in proportion to aforesaid incomes, only if business income is expended in Pakistan for welfare activities.
- (ii) Trust established in Pakistan and administered under a scheme approved by Federal Government for carrying out activities for the benefit of:
 - Ex-servicemen and serving personnel, including civilian employees of Armed Forces and their dependents; or
 - Ex-employees and serving personnel of Federal or Provincial Government and their dependents where the trust is administered by Government nominated committee.
- (iii) Income of educational institution run by NPO existing solely for educational and not for profit purposes.
- (iv) Income from investment in Federal Government securities, interest income from banks, Government grants, foreign grants, income from house property held under trust, which are derived for religious or charitable purposes and is actually applied or set apart for application to such purposes. However, the income which is not expended in Pakistan will not be entitled for tax credit.
- (v) Income of religious or charitable institution derived from voluntary contribution that are solely applicable to religious or charitable purposes of such institution. However, income

Certificate for exemption from withholding tax

As discussed above the income of NPO is either exempt from tax or entitled to 100% tax credit subject to certain conditions, it is not required to pay tax on income.

However, there are various provisions of withholding of income tax which require the prescribed persons to withhold income tax on making payments unless a person to whom payment is made furnishes exemption certificate in respect of that withholding tax.

It therefore necessitates an NPO to obtain exemption certificates of withholding taxes on its various incomes such as income on investments, rental income etc. otherwise the payer will deduct tax on making payments to NPO.

If such withholding exemption certificates are not obtained, the tax deducted by the withholding agents on income of NPO will be accumulated as refunds.

In order to avoid the cumbersome procedure of obtaining refunds from the Government, it is advisable to obtain withholding exemption certificates for various withholding taxes applicable on different classes of income earned by NPO.

Through changes brought by Finance Act, 2020, following exemptions on tax deduction are allowed to the extent of foreign remittances credited in NPOs bank accounts. These exemptions will not require any exemption certificate.

- Cash withdrawal
- Electronic mode of transfer of payments or through banking instruments
- banking transactions executed by persons not appearing in ATL

A-5. REPORTING OBLIGATIONS TO TAX AUTHORITIES

NPO (being a company under the Income Tax Ordinance 2001) is required to obtain NTN and file Annual Income Tax Return, without exception.

Annual Income Tax Return requires details of income earned and taxes paid in advance during

the year. Annual Income Tax Return is required to be submitted online through FBR portal by the following timelines:

- (a) Where, tax year of NPO is ending between January to June, 31st December next following the end of tax year.
- (b) Where, tax year of NPO is ending between July to December, 30th September next following the end of tax year.

In case of non-compliance, certain penalties will be imposed along with consequences of not appearing in Active Taxpayers' List (ATL). Please refer **Annexure-I** for ATL definition.

A-6. WITHHOLDING AGENT'S OBLIGATIONS

Applicability: Withholding agent is a person who is required to deduct tax when making payments for the purpose of its activities. NPO (being a Company) is withholding agent without exception and is liable to deduct tax as per applicable tax rates on all purchases made through each vendor in a tax year as per following limits:

For goods: Rs. 75,000 per vendor
For services: Rs. 30,000 per vendor

Please refer **UCO Tax Card** for detailed withholding tax obligations and withholding tax rates on various transactions.

Changes by Finance Act 2020

Payment to 'toll manufacturer' is classified as sale of goods and thus subject to withholding tax as applicable for sale of goods.

Payment obligation for tax withheld

All taxes deducted from the payments to vendors are required to be deposited in government treasury within 7 days.

Reporting obligation as withholding agent

Through changes brought by Finance Act, 2020, withholding agents are required to file withholding tax statement quarterly by 20th day of following month after each quarter end. Earlier, it was required to be filed biannually.

In case no tax is deducted or paid nil statement will be filed.

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Section **B**

Taxability of NPO

A Non-profit Organization (NPO) is a set-up in which no owner, shareholder or trustee shares in profits and losses, and it is formed for the purpose of public welfare. NPO in Pakistan can be formed under Companies Act, 2017, Trust Act 1882, Cooperative Societies Act 1925 and Voluntary Social Welfare Agencies Ordinance.

Under the Income Tax Ordinance 2001, all these forms of NPOs are classified as “Company” and therefore the taxability aspect of company are applicable to NPOs.

In case any NPO falls under the taxability provisions as explained in A-3 above, the income of NPO will be taxable under the below heads of income:

- (a) Income from business
- (b) Income from property
- (c) Capital gain
- (d) Income from other sources

B-1 INCOME FROM BUSINESS

Classification of income

Following income are classified as income from business:

- (a) Profits and gains of any business carried on during the tax year;
- (b) Income derived by any trade, professional or similar association from sale of goods or provision of services to members;
- (c) Income on hire or lease of tangible moveable property;
- (d) Fair market value of any benefit or perquisite derived in the course of or by virtue of any past, present or prospective business relationship;
- (e) Management fee derived by management company;
- (f) Profit on debt where person’s business is to derive such income.

Deductions from business income

There are certain deductions which are allowed and which are not allowed from business income. These deductions are discussed in details under the following paragraphs:

Allowed deductions

For the purpose of calculating taxable income the following expenditures are allowed as deduction against business income, if these are incurred wholly and exclusively for business purposes:

(a) Entertainment expenditures under the following conditions that are directly related to business and are in accordance with customs and norms of businesses in Pakistan:

- Expenditure incurred outside Pakistan in connection with business transaction;
- Expenditure incurred outside Pakistan and allocated as head office expenditure;
- Incurred in Pakistan on entertainment of foreign customers and suppliers;
- Incurred on entertainment of customers and clients and persons business premises;
- Incurred on entertainment at meetings of shareholders, agents, directors or employees; or
- Incurred on entertainment at the opening of branches.

(b) Contributions to recognized / approved provident, pension, superannuation or gratuity fund;

(c) Following cash expenditures are allowed for deduction against business income:

- Cash expenditure under a single account head that is not exceeding Rs. 250,000. Previously, this limit was Rs. 50,000.
- Single cash expenditure transaction not exceeding Rs. 25,000. Previously, this limit was Rs. 10,000.
- Utilities paid in cash
- Freight charges paid in cash
- Travel fare paid in cash
- Taxes, duties, fee or statutory obligations paid in cash
- Salary paid in cash not exceeding Rs. 25,000. Previously, this limit was Rs. 15,000.

(d) Certain **specific deductions** discussed briefly in below paragraphs:

(i) Depreciation of assets

Taxpayer is allowed depreciation deduction in respect of owned business assets that have a normal useful life of more than one year; and that are used in business during the tax year. Rates of depreciation of certain assets that are relevant to NPO are as under:

Taxable Amount	Rate
Building	10%
Furniture (including fittings), plant and machinery, motor vehicles, technical or professional books	15%
Computer hardware (including printer), monitor and allied items, machinery and equipment used in the manufacture of IT products	30%

Full year depreciation was allowed during the tax year in which an asset is purchased and no depreciation was allowed in the year of disposal. Through changes made by Finance Act 2020, now depreciation deduction is restricted to 50% in the year of purchase and 50% of depreciation will be allowed in the year of disposal. This amendment is applicable on the assets which will be purchased on or after July 1, 2020.

(ii) Initial allowance

Initial allowance is allowed for the 'eligible depreciable asset' used by the person for the first time or the tax year in which commercial production is commenced, whichever is later. Initial allowance is allowed at the rate of 25% on eligible depreciable assets used by the person. 'Eligible depreciable asset' means a depreciable asset other than:

- Road transport vehicle plying for hire;
- Furniture, including fittings;
- Plant and machinery that has been previously used in Pakistan.

(iii) Amortization of intangibles

Taxpayer is allowed amortization deduction in respect of intangibles that are wholly or partly used in deriving business income during the tax year and that has a normal useful life of exceeding one year as per given formula

Where intangible is not used for the whole tax year in deriving business income, amortization shall be allowed in proportion to the number of days intangible is used for deriving business income during the tax year.

An intangible that does not have ascertainable useful life, shall be treated as if it has normal useful life of 25 years. This change was through Finance Act 2019, as earlier the limit was of 10 years.

(iv) Pre-commencement expenditure

Amortization in respect of pre-commencement expenditure is allowed at the rate of 20% on straight line basis.

Pre-commencement expenditure shall not include expenditure incurred in acquiring land or the expenditure that is depreciated or amortized.

(v) Scientific research expenditure

Scientific research expenditure incurred in Pakistan in a tax year wholly and exclusively for the purpose of business are allowed as deduction from business income.

(vi) Employee training and facilities

Expenditure incurred during a tax year (other than capital nature) in respect of following are allowed as deduction from business income:

- educational institution or hospital established in Pakistan for the benefit of person's employees and their dependents;
- institute in Pakistan established for the training of industrial workers that is recognized, aided or run by Government; or
- training of any citizen of Pakistan in connection with scheme approved by FBR.

(vii) Profit on debt, finance cost and lease rentals

Any profit on debt, finance cost and lease rentals incurred during the tax year on any debt or asset which has been used for the purpose of business is allowed as deduction from business income.

Through changes made by Finance Act 2020, deduction on account of lease rentals of passenger transport vehicle, not plying for hire, is now restricted to the extent of principal amount Rs. 2.5 million.

(viii) Bad debts

Deduction for bad debt during a tax year is allowed under the following conditions:

- The amount of business income was already taxed in previous years;
- The debt was actually written off in the accounts; and
- There are reasonable grounds to believe that the debt is irrecoverable.

Deductions not allowed against business income

Following deductions are not allowed, which are listed below:

- (a) Any cess, rate or tax paid or payable on the profits and gains of business;
- (b) Taxes deducted at source;
- (c) Any expenditure on which taxpayer is required to withhold tax, however failed to withhold such tax;
- (d) Commission expense exceeding 0.2% of gross supplies of certain products where the person to whom commission is paid is not appearing in ATL;
- (e) Entertainment expenditure in excess of limits explained above under “Deductions Allowed Against Business Income”;
- (f) Contributions to unrecognized / unapproved provident, pension, superannuation or gratuity fund;
- (g) Any fine or penalty paid or payable by the person for violating any law, rule or regulation;
- (h) Personal expenditures;
- (i) Any cash expenditure, except that are allowed and explained in “Deductions Allowed Against Business Income”;
- (j) Capital expenditure;
- (k) Through changes made by Finance Act 2020, utility expense in excess of prescribed limits and in violation of prescribed conditions;
- (l) Sale promotion expense exceeding 10% of turnover in respect of pharmaceutical manufacturer;
- (m) Through changes made by Finance Act 2020, expenditure attributable to sales made to persons not registered under Sales Tax Act, 1990 by an industrial undertaking will not be allowed. However, disallowance shall not exceed 10% of total deductions claimed by such industrial undertaking.

Method of accounting of business income:

NPO as a Company shall apply accrual basis of accounting for calculating taxable income under the head “Income from Business”.

Tax Rates: NPO’s business income will be taxed as per applicable corporate tax rates.

B-2 INCOME FROM PROPERTY

Rental Income

NPO will determine tax liability of income from property on net income basis after considering the allowable deductions and will be taxed as per applicable corporate tax rates.

Through changes brought by Finance Act 2020, while calculating tax liability, direct expenditure relating to property income are allowed with certain exceptions for administration and collection charges which can be claimed up to 4% of gross rentals. Previously, this threshold was 6%.

B-3 CAPITAL GAIN

From Property

Through changes brought by Finance Act 2020 rate of tax for capital gain on disposal of immovable property has been reduced by 50% as compared to rates previously applicable on capital gain. Following revised tax rates are now applicable:

Amount of Capital Gain	Rate
Upto Rs. 5,000,000	2.5%
Rs. 5,000,001 to Rs.10,000,000	5%
Rs. 10,000,001 to Rs. 15,000,000	7.5%
Exceeds Rs. 15,000,000	10%

Previously different holding periods were defined for open plots and constructed property for availing exemption for capital gain, however, through changes brought by Finance Act 2020, now the holding period for computing exemption of capital gain on immovable property is same for plot and constructed property as per following exemption limits:

Holding Period	Exemption
Does not exceed 1 year	-
Greater than 1 year but less than 2 years	25%
Greater than 2 years but less than 3 years	50%
Greater than 3 years but less than 4 years	75%
Greater than 4 years	100%

From Investment in Listed Securities

Capital gain on disposal of shares of a public company including a listed company is taxed as a separate block of income as per following rates:

Holding Period	Tax Rate
Shares acquired before 1.7.2013	-
Shares acquired between 1.7.2013 and 30.6.2016	
- Holding period less than 12 months	15%
- Holding period 12 months or more but less than 24 months	12.5%
- Holding period 24 months or more	7.5%
Shares acquired on or after 1.7.2016	15%

From other than Immovable Property and Listed Securities

The capital gain other than the capital gain on immovable property and listed securities which are taxed as separate block of income, will be taxed as per applicable corporate tax rates.

B-4 INCOME FROM OTHER SOURCES

Dividend Income

Payer of Dividend	Tax Rate
Dividend paid by Independent Power Producer	7.5%
Dividend paid company having no tax payable due to exemption, carry forward of business losses or claim of tax credit	25%
Dividend paid by mutual fund and other cases not mentioned above	15%

Interest Income

Interest income of NPO will be taxed as per applicable corporate tax rates.

Presently, reduced rate of withholding of 10% is applicable where annual interest does not exceed Rs. 500,000. However, through changes brought by Finance Act 2020, such reduced rate of withholding of tax will only be applicable when the recipient of interest furnish a certificate to the payer for availing benefit of such reduced withholding tax rate.

Charitable Donations

Donations or voluntary contributions received by NPO will be taxed as per applicable corporate tax rates.

Unexplained Income and Asset

Previously all the unexplained /concealed income or expenditure for which unsatisfactory explanation was provided to the Commissioner, were treated as Income from other sources. However, through changes brought by Finance Act 2020, now the taxability of such income shall be in the following manner:

Description	Head of Income
Unexplained assets (Investments, money, amount credited in the Accounts)	Income from other sources
Concealed income	Income from Business

GENERAL PROVISIONS

Set off of Losses: Losses suffered under a head of income (except capital loss) during a tax year can be set off against income chargeable to tax under any other head of income (except Salary and Income from Property).

Capital loss can be set off only against capital gain.

Carry Forward of losses:

(a) Business loss

The remaining business loss can be carried forward to set off against business income only upto 6 tax years.

(b) Unabsorbed depreciation / amortization loss

Set off of unabsorbed depreciation and amortization losses are restricted upto 50% of such losses in a tax year against the balanced income from business after setting off business loss. However, the said restriction of 50% will not apply when the taxable income for the year is less than Rs. 10 million.

(c) Capital loss

Capital loss can be carried forward to set off against business income only upto 6 tax years.

(d) Other Losses

Losses other than business loss, unabsorbed depreciation / amortization loss and capital loss which are not setoff in the tax year in which these arise, are not allowed to be carried forward and thus lapsed.

Mechanism for Payment of Tax: For payment of tax by NPO, a mechanism is provided in the Ordinance whereby a company is required to pay tax on income (other than income falling under final taxation) in advance on quarterly basis. Any remaining tax liability will be payable at the time of filing of return.

Quarterly Advance Tax: NPO as a Company, having income charged to tax during the latest tax year (other than income falling under final taxation), is required to determine and pay the amount of advance tax due for a quarter. Amount of advance tax for a quarter shall be computed on turnover basis according to the following formula:

$$\text{Advance tax for a quarter} = (A \times B/C) - D$$

Where

A – Turnover for the quarter. If turnover for the quarter is unknown, turnover will be computed as follows:

$$\text{Turnover of latest tax year} \times 110\% \times 25\%$$

B – Tax assessed for the latest tax year;

C – Turnover for the latest tax year; and

D – taxes paid during the quarter (other than final taxes)

NPO (being a Company) is required to estimate the tax payable on taxable income for the year before the due date of second installment of advance tax. In case, estimate of tax payable is likely to be more than the tax payable on turnover basis, NPO shall furnish to the Commissioner the said estimate and pay the advance tax as per the estimate.

If at any time before the last installment is due, NPO estimates that tax payable by it for the relevant tax year is less than that it is required to pay as per above formula, taxpayer may furnish estimate to the Commissioner and pay the amount as per the estimate after deducting the amount of tax already paid in equal installments. However, in such case, estimate shall contain quarter wise turnover along with the reason of decline in estimated turnover, documentary evidences of estimated expenses which resulted in lower advance tax and estimated computation of taxable income. Further, if the Commissioner is not satisfied with the furnished estimate or evidences, he may reject the estimate and require the taxpayer to pay advance tax as per the above formula.

Advance tax shall be payable by the following timelines:

- (a) For September quarter, on or before 25th of September;
- (b) For December quarter, on or before 25th of December;
- (c) For March quarter, on or before 25th of March; and
- (d) For June quarter, on or before 15th of June.

Advance tax paid will be adjustable from tax payable for the tax year at the time of filing of return.



Section ©

C

Administrative Provisions Relevant to NPO

There are certain changes brought by Finance Act 2020 in administrative provisions relevant to NPO as follows:

Taxpayer's Profile

Every NPO is required to submit taxpayer's profile, in the prescribed manner, which shall state:

The relevant particulars of –

- Bank accounts
- Utility connections
- Business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer
- Types of businesses
- Other details as may be prescribed by the FBR

A taxpayer's profile shall be furnished as per the following timelines:

- On or before 31 December 2020, in case a person is registered with FBR before 30 September 2020;
- Within 90 days of registration, in case a person is registered with FBR after 30 September 2020.

If a tax payer fails to furnish or update taxpayer's profile, the person's name will be excluded from ATL. Moreover, such person shall pay a penalty of Rs. 2,500 for each day of default subject to minimum penalty of Rs.10,000. However, such person shall be included in ATL upon filing of profile and on payment of surcharge of Rs. 20,000

Online Integration of Business

A new concept of "integrated enterprise" for online integration of businesses have been introduced whereby a person is integrated with FBR through approved fiscal electronic device and software and fulfills prescribed obligations and requirements for integration. Draft rules for such integration were already proposed by FBR in April 2020 for certain service sectors.

Assessment

Returns filed by the tax payer shall be deemed to be assessed by the Commissioner after it has been processed through automated system within 6

months of filing of return for adjustments for arriving at correct amount of taxable income, total income and tax payable. However, no adjustments shall be made without system generated notice. Such notice is required to be responded within 30 days of issuance of notice and in case of failure to respond, the adjustments proposed in the notice will be made in the return.

Amendment of Assessment on Audit

The Commissioner is empowered to amend an assessment on any matter identified in the audit whether or not the same represents definite information.

Agreed Assessment

In case a show-cause notice issued by the Commissioner, taxpayer has been given right to file offer of settlement to Assessment Oversight Committee (Committee), at the same time reply to the notice as well.

Committee will dispose of the matter through consensus and communicate its decision to the taxpayer. If taxpayer accepts the decision of the Committee, he will be required to deposit the amount of tax payable along with default surcharge and penalty as per the decision of Committee, and in this case taxpayer has no right to appeal on the agreed assessment.

Appeal Before Commissioner Appeals

Prescribed fee for filing appeal before Commissioner Appeals has been increased from Rs. 1,000 to Rs. 5,000

Commissioner Appeal is required to specify the amount of tax upheld in the order passed.

Appeal Before Appellate Tribunal Inland Revenue (Atir)

Prescribed fee for filing appeal before ATIR has been increased from Rs. 2,000 to Rs. 5,000.

Audit Proceedings Through Video Link

If a tax payer does not furnish return or documents, or he furnishes incomplete record or books of accounts or is unable to provide sufficient explanation regarding defects in records, documents and books of accounts, the Commissioner may initiate audit proceeding through video link.

Exemption Certificate to Industrial / Commercial Consumer of Electricity

If advance tax liability for the entire year is discharged by industrial / commercial consumer of electricity, such consumer will be entitled to obtain exemption certificate on deduction of advance tax on electricity bills.

Omission of Requirement of Withholding Tax / Collection of Advance Tax

- No collection of advance tax by educational institutions where taxpayer appears on ATL.
- No collection of advance tax on payments for functions and gatherings.
- No collection of advance tax for remittance of educational expense.
- No collection of advance tax in respect of general insurance premium and life insurance premium paid.
- No collection of advance tax on locally produced edible oil by manufacturer of cooking oil or vegetable ghee.
- No collection of advance tax on cable operators and other electronic media.



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Section

D

Annexure

Active Taxpayers' List (ATL)

If a person fails to file return of income by the due date or within the time extended by the Commissioner or FBR, such person shall not be included in the ATL. In this way anyone who is not in ATL will need to face following consequences:

- (a) 100% additional payment of withholding tax
- (b) Through the information gathered from the withholding agents, will be subject to provisional Assessment on the basis of imputed income.

However such person shall be included in ATL on filing return after due date and on payment of default surcharge of Rs. 1,000.

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