

786

For Clients only

June 14, 2012

Comments on Amendments in the Finance Bill - 2012

Section 22
Sub-section 13

Depreciation:

The Sub-section 13 of Section 22 is proposed to be amended by enhancing the limit of passenger transport vehicle not plying for hire to 2.5 Million Rupees. The said amendment is to give relief to the taxpayer by making the cost of the depreciable assets in line with the market price.

Section 65B
Sub-section 1 & 4

Tax Credit for Investment:

The amendment is proposed to extend the scope of this section by inserting extension and expansion for the benefit of investment made under this section. The said benefit is restricted to only 100% new equity.

Section 113

Minimum Tax:

The proposed amendment is the backdrop of budget speech and now the legislator has proposed to reduce the rate of minimum tax from 01% to 0.5% in all cases.

Section 152
Sub-section 2A

Payments to Non-Residents:

The amendment is proposed to add the following sub-section in Section 152 of the Ordinance:

“Every prescribed person making a payment in full or part including a payment by way of advance to a

permanent establishment in Pakistan of a non-resident person:

- (i) for the sale of goods.*
- (ii) for the rendering of or providing services; and*
- (iii) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing services, shall at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division II of Part III of the First Schedule."*

Section 236C

Advance Tax on sale or transfer of immovable property:

The legislator has proposed a new section for payment of advance tax on sale or transfer of the immovable property. The proposed section is as under:

"Any person responsible for registration or attesting transfer of any immovable property shall at the time of registering or attesting the transfer shall collect from the seller or transfer or advance tax at the rate specified in Division X of Part IV of the First Schedule to the Income Tax Ordinance 2001."

AMENDMENTS MADE IN THE FIRST SCHEDULE

The legislator has proposed to change the table for income of individual chargeable under the head salary exceed 50% of taxable income. The revised rates of tax to be applied shall be set out in the following table. The said revised calculation has a calculation error, which also need to rectify. We have produced the table as it is proposed in the amended Finance Bill but we have work out the comparative as per the correct calculation:

TABLE SALARIED INDIVIDUALS

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000.	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	5% of the amount exceeding Rs. 400,000
3.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs. 17,500+10% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,000,000.	Rs.95,000+15% of the amount exceeding Rs.1,500,000
5.	Where the taxable income exceeds Rs.2,000,000 but does not exceed Rs.2,500,000.	Rs.175,000+17.5% of the amount exceeding Rs.2,000,000
5.	Where the taxable income exceeds Rs.2,500,000 and above.	Rs. 420,000+20% of the amount exceeding Rs.2,500,000

Impact of tax after revised rates is reproduced as under:

	Total Salary	Tax liability 2011	Tax liability 2012
1	400,000	6,000	NIL
2	420,000	10,000	1,000
3	735,000	44,100	16,750
4	1,375,000	151,250	80,000
6	3,500,000	612,500	442,500
7	5,000,000	1,000,000	742,500

Div. 1A **Rate of tax on certain persons:**

In the initial document the amendment was proposed in Section 113A by reducing rate of tax from 1% to 0.5% but through amendments in Finance Bill it has been taken away and the rate of tax on Retailers is again back to the same position i.e. 1%.

Part IIA

**COLLECTION OF TAX FROM DISTRIBUTORS, DEALERS AND
WHOLESALERS**

The said part was proposed to insert the rate at 1% on the categories of taxpayers specified in Section 153A. The legislator considering the impact of 1% on the categories mentioned in the aforesaid section has proposed amendment in Finance Bill 2012 by reducing the rate of tax @ 0.5%.

Part IV

Div. X **Advance Tax on sale or transfer of immovable
property**

The legislature has proposed to add a new division. The same is reproduced as under:

"The rate of tax to be collected under Section 236C shall be 0.5% of the gross amount of the consideration received".

AMENDMENTS MADE IN THE FIFTH SCHEDULE

Following amendment is proposed in the Fifth Schedule:

Rule (4A):

The amendment to the Finance Bill has proposed to substitute the following proviso:

"Provided that this option shall be available subject to withdrawal of appeals, reference and petitions on the issue of tax rates pending before any appellate forum".

"Provided further that the outstanding tax liability created under this Ordinance upto Tax year 2011 is paid by the 30th June, 2012".
