

# Tax Amensty Scheme 2018



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The Government of Pakistan has opened a three-month window for wealthy Pakistanis to whiten their hidden local and foreign assets at nominal rates from two percent to five percent. This scheme shall be available to all citizens of Pakistan except politically exposed persons, their dependents and holder of public office. The announced 'radical economic reforms package' with an aim to increase existing narrow tax base of only 1.2 million individuals to 30 million.

This scheme has been implemented through a presidential Ordinance, whereas the senate and National Assembly are not in session and the president of the Islamic Republic of Pakistan is satisfied that circumstances exist which render it necessary to take immediate action, therefore, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of the Islamic Republic of Pakistan, the President of the Islamic Republic of Pakistan is pleased to make and promulgated through four different ordinances.

### HIGHLIGHTS OF FOUR DIFFERENT ORDINANCES:

#### 1. Income Tax (Amendment) Ordinance, 2018

- a) For the purposes of taxability of unexplained income or assets, as provided in section 111 of the IT Ordinance, concealed foreign assets and concealed foreign income can be taxed in the year of **discovery**, irrespective of the year of **acquisition**.
- b) Immunity from probe in respect of foreign currency remitted to Pakistan has now been restricted to Rs. 10,000,000 in a tax year.
- c) Every resident individual having foreign income equal to or in excess of USD 10,000 or foreign assets with a value of USD 100,000 or more, are now required to file a 'Foreign Assets and Income Statement' pursuant to the newly inserted section 116A of the IT Ordinance.
- d) Penalty @ 2 percent is applicable in relation to the non-declaration of foreign assets and/or foreign income.
- e) Effective from tax year 2019, the rates of tax for individual taxpayers (salaried and non-salaried) have been significantly reduced with effect from 1<sup>st</sup> day of July 2018.
- f) Where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million Rupees of the following persons, the tax liability on such income shall be reduced by fifty percent.
  - Holding a National Database Registration Authority's Computerized National Identity Card for disabled persons.
  - A taxpayer of the age of not less than sixty years on the first day of that tax year.

#### 2. The Foreign Assets (Declaration and Repatriation) Ordinance, 2018

- a) Declaration of all foreign assets is to be made by the citizens of Pakistan, except for holders of public office and their spouses and dependent children.
- b) The declaration and repatriation shall be made on or after 10 April 2018 but on or before 30 June 2018.
- c) The declaration of such foreign assets is to be made at Fair Market Value, which shall not be less than the cost of acquisition.
- d) The rates of tax applicable depending on the following categories of assets declared:-
  - a) Hidden offshore assets can be repatriated at only 2%.
  - b) If the asset holder prefers to keep the asset abroad, they will have to pay @ 5% on liquid assets & @ 3% on immovable assets.
- e) Declaration is to be made in Rupees; however the payment is to be made in United States Dollars.
- f) The information provided by the declarant shall remain confidential, notwithstanding any law for the time being in force.

#### 3. The Local Declaration of Domestic Assets Ordinance, 2018

- a) Declaration of all undisclosed income and domestic assets of every Company, Association of Persons, and the citizens of Pakistan, wherever they may be, except for holders of public office and their spouses and dependent children.
- g) The declaration and repatriation shall be made after 10 April 2018 but on or before 30 June 2018.
- h) The tax is required to be paid @ 2 percent and/or 5 percent, depending on the category of asset declared. The information provided by the declarant shall remain confidential, notwithstanding any law for the time being in force.

#### 4. The Protection of Economic Reforms (Amendment) Ordinance, 2018

- a) No cash shall be deposited in an account of a citizen of Pakistan resident in Pakistan unless the account holder is a filer.
- b) Those who have made assets by means of money laundering, drug smuggling and terror financing will not be eligible for the scheme.

## Division I

### Rates of Tax for Individuals

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

S.No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 1,200,000	0%
2.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	5% of the amount exceeding Rs.1,200,000
3.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs.2,400,000
8.	Where the taxable income exceeds Rs.4,800,000	Rs. 300,000 + 15% of the amount exceeding Rs.4,800,000

### Rates of Tax for Association of Persons

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

S.No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.500,000	7% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	Rs. 7,000 + 10% of the amount exceeding Rs.500,000
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.32,000 + 15% of the amount exceeding Rs.750,000
5.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.144,500 + 20% of the amount exceeding Rs.1,500,000
6.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.344,500 + 25% of the amount exceeding Rs.2,500,000
7.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs.719,500 + 30% of the amount exceeding Rs.4,000,000
8.	Where the taxable income exceeds Rs.6,000,000	Rs.1,319,500 + 35% of the amount exceeding Rs.6,000,000

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

### DEFINITIONS

- a) **Cost of acquisition of the mortgaged asset** Means the sum of mortgaged payments and other mortgaged cost of acquisition
- b) **Declarant** Means a person making a declaration under section 5
- c) **Fair market value** Means price of foreign asset determined and declared by a declarant himself, but in no case is less than the cost of acquisition of the foreign assets
- d) **Foreign assets** Means any movable or immovable assets held outside Pakistan and includes real estate, mortgaged assets, stock and shares, bank accounts, bullion, cash, jewels, paintings, accounts and loan receivables, beneficial ownership or beneficial interests or contribution in offshore entities and trusts
- e) **Domestic assets** Means assets of every kind other than foreign assets under Foreign Assets (Declaration and Repatriation) Ordinance, 2018
- f) **Government security** Means a bond, note or other debt instrument issued by the Federal Government with a promise of repayment upon maturity

**g) Liquid assets** Means cash or an asset that can be readily converted into cash with a minimal impact on the assets' value and includes bank notes, marketable securities, stocks, promissory notes, government bonds, deposit certificates and other similar instruments

**h) Holder of public office**

Means a person who is or has been at any time since 1st day of January 2000

- The President of the Islamic Republic of Pakistan or the Governor of a Province;
- The Prime Minister, Chairman Senate, Speaker of the National Assembly, Deputy Chairman Senate, Deputy Speaker National Assembly, Federal Minister, Minister of State, Attorney-General for Pakistan and other Law Officers appointed under the Central Law Officers Ordinance, 1970 (VII of 1970), Adviser or Consultant or Special Assistant to the Prime Minister and holds or has held a post or office with the rank or status of a Federal Minister or Minister of State, Federal Parliamentary Secretary, Member of Parliament, Auditor-General of Pakistan, Political Secretary;
- The Chief Minister, Speaker Provincial Assembly, Deputy Speaker Provincial Assembly, Provincial Minister, Adviser or Consultant or Special Assistant to the Chief Minister and who holds or has held a post or office with the rank or status of a Provincial Minister, Provincial Parliamentary Secretary, Member of the Provincial Assembly, Advocate-General for a Province including Additional Advocate-General and Assistant Advocate-General, Political Secretary;
- The Chief Justice or, as the case may be, a Judge of the Supreme Court, Federal Shariat Court, a High Court or a Judicial Officer whether exercising judicial or other functions or Chairman or member of a Law Commission, Chairman or Member of the Council of Islamic Ideology;
- Holding an office or post in the service of Pakistan or any service in connection with the affairs of the Federation or of a Province or of a local council constituted under any Federal or Provincial law relating to the constitution of local councils, co-operative societies or in the management of corporations, banks, financial institutions, firms, concerns, undertakings or any other institution or organization established, controlled or administered by or under the Federal Government or a Provincial Government or a civilian employee of the Armed Forces of Pakistan;
- The Chairman or Mayor or Vice Chairman or Deputy Mayor of a zila council, a municipal committee, a municipal corporation or a metropolitan corporation constituted under any Federal or Provincial law relating to local councils;  
Explanation.– For the purpose of this sub-clause the expressions "Chairman" and "Vice Chairman" shall include "Mayor" and "Deputy Mayor" as the case may be, and the respective councilors therein; and
- A District Nazim or District Naib Nazim, Tehsil Nazim or Tehsil Naib Nazim or Union Nazim or Union Naib Nazim;

**Valuation**

For the purpose of this Ordinance, the valuation of assets declared shall be made in the following manner, namely;

<b>S.No.</b>	<b>Undisclosed income and assets</b>	<b>Value for the purpose of section 5(2)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Undisclosed income.	As declared.
2.	Open plots and land.	Cost of acquisition or FBR rates, whichever is higher
3.	Super structure.	Rs 400 per square feet.
4.	Apartments and flats.	Cost of acquisition or Provincial stamp duty rates, whichever is higher
5.	Imported motor vehicles.	A-B A= CIF value plus the amount of all charges, customs-duty, sales tax, levies, octroi, fees and other duties and taxes leviable thereon and the costs incurred till their registration. B= a sum equal to 10% of the said value for each successive year up to a maximum of five years.
6.	Motor vehicles purchased from a manufacturer or assembler or dealer in Pakistan.	A-B A= The price paid by the purchaser, including the amount of all charges, customs duty, sales tax and other taxes, levies, octroi, fees and all other duties and taxes leviable thereon and the costs incurred till their registration. B= a sum equal to 10% of the said value for each successive year up to a maximum of five years.



7.	Used motor vehicles purchased locally.	Value determined in the manner specified in S.N. 5 or 6, as the case may be, as reduced by an amount equal to 10% for every year following the year in which it was imported or purchased from a manufacturer.
8.	Securities and shares traded on stock exchange.	Day-end price of the share or security quoted on registered stock exchange as on the 9th April, 2018 and where no day-end price of such share or security is quoted on stock exchange on the 9th April, 2018 day-end price of the share or security quoted on a date nearest to the 9th April, 2018.
9.	Securities and shares not traded on stock exchange.	Break-up value or face value, whichever is higher. Breakup value shall be the sum of paid-up capital, reserves and balance as per profit and loss account as reduced by the value of preference shares and divided by the amount of the paid up ordinary share
10.	National saving schemes, postal certificates, bonds, securities and other similar investments in capital instruments not traded or quoted on stock exchange.	Face value.
11.	Gold.	Rupees 4000 per gram.
12.	Other precious stones and metals.	Market rate as on the 9th April, 2018 or cost of acquisition, whichever is higher.
13.	Stock-in-trade.	Market rate as on the 9th April, 2018.
14.	Plant and machinery.	Actual cost of acquisition with no depreciation.
15.	Accounts receivable.	Actual cost of acquisition.
16.	Other assets.	
17.	Prize bonds, cash and bank accounts including foreign currency accounts.	Face value.

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