

BRIEF ON INCOME TAX (AMENDMENT) ORDINANCE 2018

Recently, Income Tax (Amendment) Ordinance 2018 has been issued wherein certain amendments in Income Tax Ordinance 2001, have been made.

One amendment is of particular importance and has gained popularity among employees of the government i.e. New Income Tax Slabs with effect from 1st July 2018.

Previously, Income Tax was deducted as per following table:

S. No.	Taxable Income	Rate of tax
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	2% of the amount exceeding Rs.400,000
3	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	Rs.2,000+5% of the amount exceeding Rs.500,000
4	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs.14,500+10% of the amount exceeding Rs.750,000
5	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs.79,500+12.5% of the amount exceeding Rs.1,400,000
6	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs.92,000+15% of the amount exceeding Rs.1,500,000
7	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.137,000+17.5% of the amount exceeding Rs.1,800,000
8	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs.259,500+20% of the amount exceeding Rs.2,500,000
9	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs.359,500+22.5% of the amount exceeding Rs.3,000,000
10	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs.472,000+25% of the amount exceeding Rs.3,500,000
11	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs.597,000+27.5% of the amount exceeding Rs.4,000,000
12	Where the taxable income exceeds Rs.7,000,000	Rs.1,422,000+30% of the amount exceeding Rs.7,000,000

This Tax Rate is listed in SCHEDULE-I, PART-I, DIVISION-I of Income Tax Ordinance 2001 (Amended upto 30-06-2017), placed below:

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THE FIRST SCHEDULE

PART I RATES OF TAX (See Chapter II)

Division I Rates of Tax for Individuals ¹[and Association of Persons]

(1) Subject to ²[³clause] (1A) ⁴[], the rates of tax imposed on the taxable income of every individual ⁵[and Association of Persons] ⁶[except a salaried taxpayer] ⁷[] ⁸[] shall be as set out in the following table, namely:—

⁹[TABLE

S.No.	Taxable income	Rate of tax
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¹ Inserted by the Finance Act, 2012.

² The word, brackets and figure "clause (2)" substituted by the Finance Act, 2005.

³ The word "clauses" substituted by the Finance Act, 2006.

⁴ The word, brackets and figure "and (2)" omitted by the Finance Act, 2006.

⁵ Inserted by the Finance Act, 2012.

⁶ Inserted by the Finance Act, 2005.

⁷ The words "or Association of Persons" omitted by the Finance Act, 2010.

⁸ The words, brackets and figures "to which sub-section (1) of section 92 applies" omitted by the Finance Act, 2011.

⁹"TABLE" substituted by the Finance Act, 2015. The substituted TABLE read as follows:-

"TABLE

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	10% 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.35,000 + 15% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.147,500 + 20% of the amount exceeding Rs.1,500,000
5.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.347,500 + 25% of the amount exceeding Rs.2,500,000
6.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs.722,500 + 30% of the amount exceeding Rs.4,000,000
7.	Where the taxable income exceeds Rs.6,000,000	Rs.1,322,500 + 35% of the amount exceeding Rs.6,000,000]

(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 ¹]

¹[]

²["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 serial number 8 of the Table shall be 32% for tax year 2016 and onwards;"]

³[(1A) Where the income of an individual chargeable under the head "salary" exceeds fifty per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely: -

⁴TABLE

¹ Proviso omitted by the Finance Act, 2011. The omitted proviso read as follows:

"Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.125,000/- :"

²Proviso substituted by the Finance Act, 2015. The omitted proviso read as follows:-

"Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax, for tax year 2009."

³ Inserted by the Finance Act, 2005.

⁴"TABLE" substituted by the Finance Act, 2015. The substituted TABLE read as follows:-

S.No.	Taxable Income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.400,000	0%

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	2% of the amount exceeding Rs.400,000
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	Rs. 2000 + 5% of the amount exceeding Rs.500,000
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs.14,500 + 10% of the amount exceeding Rs.750,000
5.	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs. 79,500 + 12.5% of the amount exceeding Rs.1,400,000
6.	Where the taxable income exceeds Rs.1,500,000 but does not exceed	Rs. 92,000 + 15% of the amount exceeding

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.1,400,000	Rs.17,500 + 10% of the amount exceeding Rs.750,000
4.	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs.82,500 + 12.5% of the amount exceeding Rs.1,400,000
5.	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs.95,000 + 15% of the amount exceeding Rs.1,500,000
6.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.140,000 + 17.5% of the amount exceeding Rs.1,800,000
7.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs.262,500 + 20% of the amount exceeding Rs.2,500,000
8.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs.362,500 + 22.5% of the amount exceeding Rs.3,000,000
9.	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs.475,000 + 25% of the amount exceeding Rs.3,500,000
10.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs.600,000 + 27.5% of the amount exceeding Rs.4,000,000
11.	Where the taxable income exceeds Rs.7,000,000	Rs.1,425,000 + 30% of the amount exceeding Rs.7,000,000]

	Rs.1,800,000	Rs.1,500,000
7.	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.137,000 + 17.5% of the amount exceeding Rs.1,800,000
8.	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs. 259,500 + 20% of the amount exceeding Rs.2,500,000
9.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs. 359,500 + 22.5% of the amount exceeding Rs.3,000,000
10.	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs.472,000 + 25% of the amount exceeding Rs.3,500,000
11.	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs.597,000 + 27.5% of the amount exceeding Rs.4,000,000
12.	Where the taxable income exceeds Rs.7,000,000	Rs.1,422,000 + 30% of the amount exceeding Rs.7,000,000]

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Provided further that Internally Displaced Persons Tax (IDPT), treated as income tax, on the tax payable on the taxable income of one million rupees or more, shall be levied at the rate of 5% of such tax for tax year 2009 ³[]

¹ Proviso omitted by the Finance Act, 2010. The omitted proviso read as follows:

“Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.260,000.”

² Proviso omitted by the Finance Act, 2013. The omitted proviso read as follows:

“Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the Table, the income tax payable shall be the tax payable on the maximum of that slab plus an amount equal to —

- (i) 20% of the amount by which the total income exceeds the said limit where the total income does not exceed Rs. 550,000.
- (ii) 30% of the amount by which the total income exceeds in each slab but total income does not exceed Rs. 1,050,000.
- (iii) 40% of the amount by which the total income exceeds in each slab but total income does not exceed Rs. 2,250,000.
- (iv) 50% of the amount by which the total income exceeds in each slab but total income does not exceed Rs. 4,550,000.
- (v) 60% of the amount by which the total income exceeds in each slab but the total income exceeds Rs. 4,550,000.

³The “; and” omitted by the Finance Act, 2015.

¹[(1B) 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 a person-

- (i) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or
- ²“(ii) a taxpayer of the age of not less than sixty years on the first day of that tax year, the tax liability on such income shall be reduced by fifty per cent.”]

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¹ Section 1B inserted by the Finance Act, 2014.

² Sub-paragraph (ii) of paragraph (1B) substituted by the Finance Act, 2015. The substituted sub-paragraph read as follows:-

“a taxpayer of the age of not less than sixty years on the first day of that tax year; the tax liability on such income shall be reduced by 50%.”

³ Para 2 omitted by the Finance Act, 2014. The omitted para (2) read as follows:

“(2) The rate of tax payable on bonus as IDPT as income tax shall be 30% for the tax year 2010.”

⁴ Clause (2) omitted by the Finance Act, 2006. The omitted clause (2) read as follows:

“2. Where, for a tax year, an individual or association of persons to which subsection (1) of section 92 applies derives income from agriculture to which section 41 applies and the gross amount of such income for the year exceeds Rs. 80,000, the rates of tax imposed on the taxable income of the individual or association of persons for the year shall be as set out in the following table, namely:—

“TABLE

S. No. (1)	Taxable income (2)	Rate of tax. (3)
1.	Where taxable income does not exceed Rs.150,000	7.5%
2.	Where taxable income exceeds Rs.150,000 but does not exceed Rs.300,000	Rs.11,250 plus 12.5% of the amount exceeding Rs.150,000.
3.	Where taxable income exceeds Rs.300,000 but does not exceed Rs.400,000	Rs.30,000 plus 20% of the amount exceeding Rs.150,000.
4.	Where taxable income exceeds Rs.400,000 but does not exceed Rs.700,000	Rs.50,000 plus 25% of the amount exceeding Rs.400,000
5.	Where taxable income exceeds Rs.700,000	Rs.125,000 plus 35% of the amount exceeding Rs.700,000”

⁵ Clause 3 omitted by the Finance Act 2002. The omitted clause 3 read as follows:

“3. The rates of tax applicable to a legal representative of a deceased individual liable for tax under clause (b) of sub-section (1) of section 87 shall be –

(a) in the tax year in which the deceased died and the following tax year, the rates applicable under clause 1; or

(b) in any subsequent year, 35%.”

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¹ "Division IA" omitted by the Finance Act, 2013. The omitted "Division IA" read as follows:

"Division IA

Rate of Tax on certain persons

The rate of tax to be paid under sub-section (1) of section 113A shall be *one per cent* of the turnover."

² "Division IB" omitted by the Finance Act, 2012. The omitted "Division IB" read as follows:-

"Division IB

Rates of Tax for Association of Persons

The rate of tax imposed on the taxable income of Association of Persons for the tax year 2010 and onward shall be 25%."

The above placed DIVISION-I of PART-I of SCHEDULE-I has now been replaced by newly laid Ordinance i.e. Income Tax (Amendment) Ordinance 2018:

(c) complete particulars of foreign income, the expenditure derived during the tax year and the expenditure wholly and necessarily for the purposes of deriving the said income.

(2) The Commissioner may, by a notice in writing, require any person being an individual, who in the opinion of the Commissioner on the basis of reasons to be recorded in writing, was required to furnish a foreign income and assets statement under sub-section (1) but who has failed to do so, to furnish the foreign income and assets statement on the date specified in the notice.”;

(4) in section 118,—

(a) in sub-section (1),—

(i) for the word “or” a comma shall be substituted;

(ii) after the figure “116” the expression “or a foreign income and assets statement under 116A, if applicable” shall be inserted;

(b) in sub-section (2A), after the figure “116”, the expression “or a foreign income and assets statement under 116A, if applicable” shall be added;

(5) in section 182, in the Table, in column (1), after S. No. 1AA and entries relating thereto in columns (2),(3) and (4), the following new S. No. and entries relating thereto shall be inserted, namely:—

“1AAA	Where any person fails to furnish a foreign assets and income statement within the due date.	Such persons shall pay a penalty of 2 percent of the foreign income or value of the foreign assets for each year of default.	116A”; and
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(6) in Schedule I, in PART I, for Division I, the following shall be substituted, namely:—

“Division I

Rates of Tax for Individuals

(1) 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:—

TABLE

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
4.	Where the taxable income exceeds Rs.4,800,000	Rs. 180,000 + 15% of the amount exceeding Rs.48,000,000

Rates of Tax for
Association of Persons

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

TABLE

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

(1)	(2)	(3)
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.

(3) 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 a person—

- (a) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or
- (b) a taxpayer of the age of not less than sixty years on the first day of that tax year,

the tax liability on such income shall be reduced by fifty per cent.”.

MAMNOON HUSSAIN,
President.

KARAMAT HUSSAIN NIAZI,
Secretary.

From the above amendments, it can clearly be seen that DIVISION-I of PART-I of SCHEDULE-I of Income Tax Ordinance 2001 (Amended upto 30-06-2017) has now been changed with new DIVISION-I (As highlighted in yellow colour).

CONCLUSION:

Income Tax (Amendment) Ordinance, 2018 will be applied to all the individuals earning more than 100,000/- per month. Individuals earning less than 100,000/- per month will not be liable to Income Tax as per newly laid ordinance.

حال ہی میں انکم ٹیکس (امینڈمینٹ) آرڈیننس 2018 متعارف کروایا گیا ہے، جس میں انکم ٹیکس آرڈیننس 2001 (تبدیلی از تاریخ 30 جون 2017) کو کچھ حد تک تبدیل کیا گیا ہے۔ اس تبدیلی میں ملازمین کے لیے ایک بہت بڑا ریلیف مہیا کیا گیا ہے۔ انکم ٹیکس (امینڈمینٹ) آرڈیننس 2018 میں شیڈول-1 میں موجود پارٹ-1 میں موجود ڈویژن-1 میں مکمل طور پر تبدیلی گئی ہے اور اس میں نئے انکم ٹیکس ریٹس وضع کیے گئے ہیں۔ یہاں یہ بات واضح کرنا ضروری ہے کہ پہلے جو انکم ٹیکس وصول کیا جاتا تھا، وہ شیڈول-1 میں موجود پارٹ-1 میں موجود ڈویژن-1 کے مطابق لیا جاتا تھا۔ اب شیڈول-1 میں موجود پارٹ-1 میں موجود ڈویژن-1 کو مکمل طور پر نئے آرڈیننس کے ذریعے تبدیل کر دیا گیا ہے۔ لہذا پہلے ریٹ پر لیا جانے والا انکم ٹیکس 30 جون 2018 کے بعد قابل عمل نہیں ہوگا۔

مزید معلومات کیلئے ای۔میل کیجئے:

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