

Passed on
21-1-16

[AS PASSED BY THE NATIONAL ASSEMBLY]

A

Bill

further to amend the Income Tax Ordinance, 2001

WHEREAS it is expedient further to amend the Income Tax Ordinance, 2001 (XLIX of 2001) for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. Short title and commencement.- (1) This Act may be called the Income Tax (Third Amendment) Act, 2016.

(2) It shall come into force at once.

2. Amendment of Ordinance XLIX of 2001.- In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

(1) after section 99, the following new section shall be inserted, namely:-

“99A. Special provisions relating to traders.-

(1) Subject to sub-section (3), tax payable on the profits and gains of a trader as defined in sub-section (4) who upto thirty first day of December, 2015 has not filed a return for any of the preceding ten tax years shall be computed in accordance with the rules laid down in Part I of the Ninth Schedule.

(2) Subject to sub-section (3), tax payable on the profits and gains of any trader as defined in sub-section (4), who-

(a) is a filer; or

(b) is NTN holder and a non-filer but has filed return or returns in any of the last ten

preceding tax years, shall be computed in accordance with the rules laid down in Part II of the Ninth Schedule.

(3) Sub-sections (1) and (2) shall apply, if-

- (a) the return filed by the trader qualifies for acceptance in accordance with the rules laid down in the Ninth Schedule;
- (b) return relates to tax years 2015 to 2018; and
- (c) income from business consists of profits and gains from trading activity only.

(4) For the purpose of this section and the Ninth Schedule, 'trader' means an individual or an association of persons (AOP) buying goods or merchandise and selling the same without further processing and providing, business-related after sales, services by doing repair jobs.

Explanation 1.- For the removal of doubt it is clarified that any person engaged in-

- (a) rendering of, or providing, services as defined in clause (ii) of sub-section (7) of section 153; or
- (b) business of retailer falling under rule (5) of Chapter II of the Sales Tax Special Procedures Rules, 2007, shall not be treated as a trader for the purposes of this section.

Explanation 2.- It is also clarified that this section shall not apply to a person who is a Member of the Senate of Pakistan, the National Assembly of Pakistan or a Provincial Assembly.”;

(2) in the Second Schedule, in Part IV, in clause (94),--

- (a) for the expression “tax year 2016” occurring for the first time, the expression “the period beginning on the first day of July, 2015 and ending on the thirtieth day of June, 2016” shall be substituted; and
- (b) in the proviso, after the figure “2016” the expression “or 2017, as the case may be,” shall be inserted; and

- (3) after the Eighth Schedule, the following new Schedule shall be added, namely:-

“THE NINTH SCHEDULE
(See section 99A)

Notwithstanding anything contained in this Ordinance or any other law for the time being in force, a trader qualifying under this Schedule shall have the option to be assessed including for filing of return, either-

- (a) under the provisions of this Ordinance, other than this Schedule; or
- (b) under the provision of this Schedule.

PART I

RULES FOR THE COMPUTATION OF THE TAX PAYABLE ON PROFITS AND GAINS OF A TRADER FALLING UNDER SUB-SECTION (1) OF SECTION 99A

1. The tax payable on profits and gains of a trader falling under sub-section (1) of section 99A in respect of trading activities chargeable under the head “income from business” shall be computed in the manner hereinafter provided.

2. For trader qualifying under this Part, working capital for tax year 2015 shall not exceed rupees fifty million and tax at the rate of one per cent of the working capital shall be the tax payable on profits and gains from the trading activity.

3. For tax years 2016, 2017 and 2018, trader qualifying under this Part and who has paid tax for the tax year 2015 under rule 2 of this Part shall pay tax specified in rule 4 of this Part subject to the following conditions, namely:-

- (a) for tax year 2016, the trader shall declare turnover at least three times of the working capital declared during tax year 2015; and
- (b) for tax years 2017 and 2018 the trader shall declare turnover on which tax paid is at least

twenty-five per cent more than the tax paid for the preceding tax year.

4. For the purpose of rule 3 of this Part, the following shall be tax rate on turnover:-

Turnover (1)	Rate (2)
Where turnover does not exceed 50 million rupees	0.2%
Where turnover exceeds 50 million rupees but does not exceeds 250 million rupees	Rs 100,000 plus 0.15% of the amount exceeding 50 million rupees
Where turnover exceeds 250 million rupees	Rs 400,000 plus 0.1% of the amount exceeding 250 million rupees

5. Trader qualifying under this Part shall be entitled to take credit of imputable income as defined in clause (28A) of section 2, for tax years 2016 to 2018, in relation to tax paid under rule 3 of this Part for the purpose of section 111.

PART II
RULES FOR THE COMPUTATION OF THE TAX
PAYABLE ON PROFITS AND GAINS OF A TRADER
FALLING UNDER SUB-SECTION (2) OF SECTION 99A

1. The tax payable on profits and gains of a trader falling under sub-section (2) of section 99A in respect of trading activities chargeable under the head "income from business" shall be computed in the manner hereinafter provided.

2. For tax year 2015, the tax payable on profits and gains of a trader qualifying under this Part shall be higher of the following:

- (a) 25% higher tax than paid for tax year 2014 or for the latest tax year for which return

has been filed on the basis of taxable income;

(b) tax on turnover at the rates specified in rule 4 of Part I; or

(c) rupees thirty thousand.

3. For tax years 2016 to 2018, the tax payable on profits and gains of a trader qualifying under this Part shall be higher of the following:

(a) 25% higher tax on the basis of taxable income than tax paid for the preceding tax year; or

(b) tax on turnover at the rates specified in rule 4 of Part I.

4. Trader qualifying under this Part, who has filed return for tax year 2015 before the due date of filing of return under this Schedule, may file a revised return subject to the condition that the tax paid is higher of the following:

(a) tax as per rule 2 of this Part on the basis of revised return;
or

(b) 10% higher tax than the tax paid as per original return.

5. For tax year 2015, the provisions of clause (ba) of sub-section (6) of section 114 shall not apply to a trader who has revised the return under rule 4 of this Part before the due date of filing of return under this Schedule.

6. Where the imputable income as defined in clause (28A) of section 2 in relation to tax on turnover at the rates specified in rule 4 of Part I is higher than the taxable income declared, the trader qualifying under this Part may opt to take the credit for the purpose of section 111, of the difference between the said imputable income and taxable income, provided that tax at the rate of one per cent of the difference is paid along with the return.