

Advance Withholding Tax Under Income Tax

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Overview

- Issues of federal and provincial taxes require close analysis in the context of virtually all business transactions, even in an era when transactions primarily motivated by tax considerations have diminished.
- This Presentation provides in-depth knowledge of Key Income Tax (IT) Withholding Provisions. Numerous examples will be used to illustrate different topics.

I am using Calibri Font and its **2019**

In this world nothing is certain, but death and taxes.

- Benjamin Franklin

Withholding Tax

- Main Source of Revenue by Govt.
- Almost 70 percent revenue source as reported in 2018
- Scope is increasing
- Inherited from Income Tax Act, 1922 in which withholding concept of Salary and interest was present only.
- In Income Tax Ordinance 1979 major scope extended in 1990.
- Scope further enhanced by introducing concept of non filer in 2014 Finance Bill.

New Concept of Filer & Non-filer

Filer:

- means a taxpayer whose name appears in the active taxpayers' list issued by the Board from time to time or is holder of a taxpayer's card.

Non-filer:

- means a person who is not a filer.

Concept of Withholding Tax *viz-a-viz* Withholding Agent Details

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
1	148 Imports	Collector of Customs	At the same time and manner as the customs duty is payable in respect of the goods imported
2	149 Salary	Employer / Person responsible for paying salary	At the time the Salary is actually paid
3	150 Dividend	Every Person	At the time the dividend is actually paid
4	151 Profit on debt 151(1)(a)	Every Person Making Payment	At the time the yield (profit on debt) is credited to the account of the recipient or is actually paid, whichever is earlier.
5	151(1)(b)	Banking Company or Financial Institution	At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier.
6	151(1)(c)	Federal / Provincial Govt./ Local authority	At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
7	151(1)(d)	Banking company, a financial institution, a company or finance society	At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier
8	152 Payments to non-resident 152(1)	Every prescribed person	At the time the Royalty or fee for technical services is actually paid
9	152(1A)	Every person responsible for payment	At the time the amount is actually paid
10	152(1AA)	Every person	At the time the amount is actually paid
11	152(1AAA)	Every person	At the time the amount is actually paid
12	152(2)	Every person	At the time the amount is actually paid

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
13	152(2A)	Every Prescribed person:- I. The Federal Government. II. A Company. III. An Association of persons constituted by, or under law. IV. A non-profit Organization. V. A Foreign Contractor or consultant. VI. A consortium or Joint venture. VII. An exporter or an export house for the purpose of sub section (2) VIII. An association of persons having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year. IX. An individual having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year. X. A person registered under the Sales Tax Act, 1990	At the time the amount is actually paid

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
14	153 Payment for goods & services 153(1)(a) 153(1)(b) 153(1)(c)	Every Prescribed Person:- i. The Federal Government. ii. A Company. iii. An Association of persons constituted by, or under law. iv. A non-profit Organization. v. A Foreign Contractor or consultant. vi. A consortium or Joint venture. vii. An exporter or an export house for the purpose of sub section (2) viii. An association of persons having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year. ix. An individual having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year. x. A person registered under the Sales Tax Act, 1990	At the time the amount is actually paid

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
15	153(2)	Exporter/Export House	At the time the amount is actually paid
16	154 Export and foreign indenting commission 154(1) 154(2) 154(3)	Authorized dealer/Banking Company	At the time of realization of the export proceeds or indenting commission Section 154(3) At the time of realization of the sale proceeds or realizing the payment made through crossed cheque
17	154(3A)	EPZ Authority	At the time of export of goods
18	154(3B)	Direct exporters / export house registered under DTRE rules, 2001.	At the time of payment against a firm contract
19	154(3C)	Collector of custom	At the time of export of goods

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
20	155 Income from Property	Every Prescribed Person:- <ol style="list-style-type: none"> i. The Federal Government. ii. A Provincial Government. iii. Local Government. iv. A Company. v. A non-profit Organization (or a Charitable Institution). vi. A Diplomatic mission of a foreign state. vii. A private educational institution, a boutique, a beauty parlour, a hospital, a clinic or a maternity home. viii. Individuals or association of persons paying gross rent of rupees on and a half million and above in a year. 	At the time the <i>Rent</i> is actually paid
21	156 Prizes and winnings	Every Person	At the time the prize or winnings are actually paid

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
22	156 A Petroleum Products	Every Person	At the time the commission is actually paid
23	156B Withdrawal of balance under pension fund	Pension fund manager	At the time of withdrawal
24	231A Cash Withdrawal from a Bank	Every Banking Company	At the time the cash is withdrawn
25	231AA Advance tax on transaction in bank	Every banking company non banking financial institution, exchange company or any authorized dealer of foreign exchange	At the time of sale of instrument or transfer
26	231B Purchase of Motor car	Motor vehicle registration authority	At the time of registration of new motor vehicle

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
27	233 Brokerage & Commission	Federal Government, Provincial Government, Local authority, Company AOP constituted by or under any law.	At the time the brokerage or commission is actually paid; (If an agent retains commission or broker age from any amount remitted by him to the principal, he shall be deemed to have been paid the commission or brokerage by the principal and the principal shall collect advance tax from the agent).
28	233A Collection of tax by stock exchange	Stock Exchange Registered in Pakistan	At the time of making or receiving payment
29	233AA	NCCPL(National Clearing Company of Pakistan Limited)	At the time of making the payment
30	234 Tax on Motor Vehicle	Person collecting motor vehicle tax	At the time of collecting motor vehicle tax (If motor vehicle tax is collected in Installments or lump sum, the tax is also collected in installments or lump sum)

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
31	234A CNG Station	Person preparing gas consumption bill	At the time of realization of gas consumption charges
32	235 Electricity	Person preparing electricity bill	Along with payment of electricity consumption charges
33	236 Telephone	Person preparing telephone bill / issuing or selling prepared card for mobile phones	Along with payment of telephone bill or at the time of issuance or sale of pre-paid telephone cards
34	236A	Every person	At the time of realization of sale proceeds
35	236B Advance tax on purchase of Air Ticket	Person preparing air ticket	At the time of realization of sale proceeds
36	236C Immoveable property	Every person Registering or attesting Transfer.	At the time of registering or attesting the transfer
37	236D Advance Tax on Function & Gatherings	Owner, Manager& operator of the Marriage Hall, Club, Hotel, Marquee etc.	At the time of realization of the payment

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
38	236E Advance Tax on Foreign Produced TV Plays & Serials	Any licensing Authority	Not specified (Logically at the time of certification)
39	236F Advance Tax on Cable Operators & other Electronics	PEMRA	At the time of issuance of license for distribution services or renewal of the license
40	236G Advance Tax on sales to distributors, dealers & wholesaler	Every Manufacture or Commercial importer of electronics sugar, cement, iron & steel products, motorcycles, pesticides, Cigarettes glass, textile, beverages, paint or foam sector	At the time of sale

S#	Section	Withholding Agent	Responsibility of Withholding Agent:
41	236H Advance Tax on sales to Retailers	Every Manufacture ,distributor, dealer, wholesaler or Commercial importer of electronics, sugar, cement, iron & steel products, motorcycles, pesticides, Cigarettes glass, textile, beverages, paint or foam sector	At the time of sale
42	236I Collection of Advance Tax by Educational Institution	The person preparing fee voucher or challan	In the manner the fee is charged
43	236J Advance Tax on dealers, commission agents and arhtis	Every Market Committee or any commodity regulatory authority	At the time of issuance or renewal of licenses

Sec 148: Collection of tax at import stage

- The Collector of Customs shall collect advance tax from every importer of goods on the value of the goods at the rate specified in the Part II of the First Schedule.
- The power of FBR to specify any good or class of goods or person or class of persons importing certain goods that are exempt from levy of tax has been withdrawn by omitting sub-section 2 of section 148.
- However all the notifications previously issued under said sub section will remain intact.
- Advance tax shall be collected in the same manner and at the same time as the customs-duty payable in respect of the import
- If the goods are exempt from customs-duty, at the time customs-duty would be payable if the goods were dutiable.

Sec 148: Collection of tax at import stage

Changes Brought About in Finance Act, 2018

Now Section 148 have been distributed into two main Regimes.

- Minimum Tax
- Final Tax

Sec 148: Collection of tax at import stage

Final Tax

- The tax collected under this section at the time of import of ships by ship-breakers shall be final tax.
- **Now the Finance Supplementary (Second Amendment) Bill, 2019 proposes to restore the position prior to Finance Act, 2018 and the commercial importers will be taxed under final tax Regime.**

Sec 148: Collection of tax at import stage

Minimum Tax

The tax required to be collected from a person under this section shall be minimum tax for a tax year on the import of—

- goods where goods are sold in the same condition as they were when imported:

Provided that the minimum tax payable under this clause shall be five percent of the import value as increased by customs duty, sales tax and federal excise duty; **(omitted now not approved yet)**.

- edible oil;
- packing material; and
- plastic raw material imported by an industrial undertaking.

Sec 148: Collection of tax at import stage.

Exceptions where import of goods neither fall in minimum tax nor in final tax.

Large import houses, who,—

- i. have paid-up capital of exceeding Rs. 250 million;**
- ii. have imports exceeding Rs.500 million during the tax year;**
- iii. own total assets exceeding Rs.350 million at the close of the tax year;**
- iv. is single object company;**
- v. maintain computerized records of imports and sale of goods;**
- vi. maintain a system for issuance of 100% cash receipts on sales;**
- vii. present accounts for tax audit every year;**
- viii. is registered under the Sales Tax Act, 1990, and**
- ix. make sales of industrial raw material of manufacturer registered under the Sales Tax Act,1990, and**

Sec 148: Collection of tax at import stage.

Exceptions where import of goods neither fall in minimum tax nor in final tax.

This section 148 shall not apply in import of following:

- raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use;
- motor vehicles in CBU (Complete build units) condition by manufacturer of motor vehicles.
- A foreign produced film imported for the purposes of screening and viewing.

Section 148A.

Tax on local purchase of cooking oil or vegetable ghee by certain persons:

- The manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil.
- The tax payable under this section shall be **Final Tax** in respect of income accruing from locally produced edible oil.

IMPORTANT CONCEPTS AND DEFINITIONS

Collector of Customs

means the person appointed as Collector of Customs under section 3 of the Customs Act, 1969 (IV of 1969), and includes a Deputy Collector of Customs, an Additional Collector of Customs, or an officer of customs appointed as such under the aforesaid section;

value of goods

means the value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to ad valorem (value determined by Customs) duty increased by the customs-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods.

Explanation

For the purpose of this section the expression "edible oils" includes crude oil, imported as raw material for manufacture of ghee or cooking oil.

Sec 149: Deduction at source from Salary

Every employer paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made.

The employer can deduct tax after making adjustment of tax withheld from employee and tax credit admissible under sections 61, 62, 63 and 64 during the tax year, after obtaining documentary evidence as may be necessary, for:

- (i) tax withheld from the employee during the year;
- (ii) any excess deduction or deficiency arising out of any previous deduction; or
- (iii) failure to make deduction during the year

Important Points

At the time of deducting tax at source, the person responsible for paying salary should keep the following points in mind:

- No tax is required to be deducted at source, unless the estimated taxable salary exceeds taxable limit.
- Directors' fee tax is deductible at the rate of twenty percent

Dividends section 150

This section reads as under:

Every person paying a dividend shall deduct tax from the gross amount of the dividend paid at the rate specified in Division I of Part III of the First Schedule.

Rate of deduction. —

The rate of tax to be deducted under section 150 are as under:

7.5% in the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects;

15% for filers other than mentioned in (a) above

20% for non-filers other than mentioned in (a) above

Dividends section 150

Provided that the rate of tax required to be deducted by a collective investment scheme, REIT Scheme or a mutual fund shall be-

Person	Stock Fund	Money market Fund, Income Fund or REIT Scheme or any other fund	
		Filer	Non-Filer
Individual	12.5%	12.5%	15%
Company	12.5%	25%	25%
AOP	12.5%	12.5%	15%

Section 150A

Return on investment in Sukuks:

Every special purpose vehicle, or a company, at the time of making payment of a return on investment in sukuks to a sukuk holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of Part III of the First Schedule specified in the next slide.

Rates: DIV IB Section 150A

The rate of tax to be deducted under section 150A shall be

- **15% in case the sukuk-holder is a company;**
- **12.5% in case the sukuk-holder is an individual or an association of person, if the return on investment is more than one million;**
- **10% in case the sukuk-holder is an individual and an association of person, if the return on investment is less than one million; and**
- **17.5% in case the sukuk-holder is a non-filer**

Section 151: Profit on Debt

- Where a person pays yield on an account, deposit or a certificate under the National Savings Scheme or Post Office Savings Account;
- a banking company or financial institution pays any profit on a debt, being an account or deposit maintained with the company or institution,
- the Federal Government, a Provincial Government or a Local Government pays to any person profit on any security other than that referred to in clause (a) issued by such Government or authority; or
- a banking company, a financial institution, a company as defined in Company Ordinance, 1984 and a body corporate formed or under any law in force in Pakistan.
- or finance societies pays any profit on any bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than financial institution,

Section 151: Profit on Debt

The payer of the profit shall deduct tax at the rate specified in Division IA of Part III of the First Schedule from the gross amount of the yield or profit paid as reduced by the amount of Zakat, if any, paid by the recipient under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), at the time the profit is paid to the recipient.

This section shall not apply to any profit on debt that is subject to sub-section (2) of section 152. **(Non-Resident)**

Section 151: Profit on Debt

(3) Tax deductible under this section shall be a final tax on the profit on debt arising to a tax payer other, except where-

- a) taxpayer is a company, or
- b) profit on debt is taxable under section 7B.

7B. Tax on profit on debt.—(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIA of Part I of the First Schedule, on every person, other than a company, who receives a profit on debt from any person mentioned in clauses (a) to (d) of sub-section (1) of section 151.

(2) The tax imposed under sub-section (1) on a person, other than a company, who receives a profit on debt shall be computed by applying the relevant rate of tax to the gross amount of the profit on debt.

(3) This section shall not apply to a profit on debt that is exempt from tax under this Ordinance

Sec. 153: Payment for Goods and Services

Under this Section Prescribed Person means person responsible for deduction of tax while making payment against supply of goods rendering of services and execution of contracts:

- The Federal Government
- A company
- An association of persons constituted by, or under law
- A non-profit organization
- A foreign contractor or consultant
- A consortium or joint venture
- An exporter or an export house for the purpose of sub-section (2)
- An association of persons, having turnover of **Fifty Million Rupees** or above in any of the preceding tax years
- An individual, having turnover of fifty million rupees or above in any of the preceding tax years;
- A person registered under the Sales Tax Act, 1990, or
- A person deriving income from the business of construction and sale of residential, commercial or other buildings (builder), or
- A person deriving income from the business of development and sale of residential, commercial or other plots (developer)

Sec. 153: Payment for Goods and Services

- “**Services**” includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee;
- “**Sale Of Goods**” includes a sale of goods for cash or on credit, whether under written contract or not;
- “**Manufacturer**” means a person who is engaged in production or manufacturing of goods, which includes—
 - Any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or product is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or
 - A process of assembling, mixing, cutting or preparation of goods in any other manner; and

Sec. 153: Payment for Goods and Services

“Turnover” means—

- the gross sales or gross receipts, inclusive of sales tax and federal excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods
- The gross fees for the rendering of services for giving benefits including commissions
- The gross receipts from the execution of contracts; and
- The company’s share of the amounts stated above of any association of persons of which the company is a member.

Sec. 153: Payment for Goods and Services

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

- for the sale of goods, **(Except where payment is less than 75 Thousand Rupees in aggregate, during a financial year.)**
- for the rendering of or providing of services, **(Except where payment is less than 30 Thousand Rupees in aggregate, during a financial year.)**
- on the execution of a contract, including contract signed by a sportsperson but not including a contract for the sale of goods or the rendering of or providing of services,
shall. at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any)
- Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for rendering of or providing of services of **stitching, dyeing, printing, embroidery, washing, sizing and weaving**, shall at the time of making the payment, deduct tax from the gross amount payable.

Sec. 153: Payment for Goods and Services

The tax deductible for sale of goods and execution of contracts shall be final tax.

Exceptions to the above rules

The tax deducted in case of sale of goods shall be adjustable

- where payments are received on sale or supply of goods, by a company being a manufacturer of such goods;
- or public company listed on a registered stock exchange in Pakistan;

The tax deducted against execution of contracts shall be adjustable if payments are received

By a public company listed on a registered stock exchange in Pakistan, on account of execution of contracts.

Sec. 153: Payment for Goods and Services

Tax deducted in respect of a contracts of sportsperson shall be final tax with effect from tax year 2013,

Tax deducted by person against services provided by electronic and print media for advertising services shall be final tax with effect from the 1st July, 2016.

PROVISIONS RELATING TO EXEMPTION CERTIFICATE

The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under sub-section (1) is adjustable, by an order in writing. any person to make the payment,—

- (a) without deduction of tax; or
- (b) deduction of tax at a reduced rate.

Key point to remember is that exemption certificate can only be issued in cases where tax is adjustable.

Clause 94 Second Schedule

(94) The provisions of clause (b) of the proviso to sub-section (3) of section 153 shall not apply for the period beginning on the first day of July, 2015 and ending on the thirtieth day of June, 2018 to a company being a filer and

engaged in providing or rendering freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of this Schedule tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited:

Provided that the tax payable or paid on the income from providing or rendering aforesaid services shall not be less than two percent of the gross amount of turnover from all sources and **that the company furnishes in writing an irrevocable undertaking by the fifteenth day of November, 2015 to present its accounts to the Commissioner within thirty days of filing of return, for audit of its income tax affairs for any of the tax years 2016 to 2018:**

Provided further that for tax year 2018, the company shall furnish irrevocable undertaking by November, 2017, to present its accounts to the Commissioner.

Section 154: Exports

- Every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the export of goods by an exporter, deduct tax from the proceeds at the **Rate of 1%**.
- Every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the commission due to an indenting commission agent, deduct tax from the proceeds at the **Rate of 5%**.
- Every banking company shall, at the time of realization of the proceeds on account of a sale of goods to an exporter under an inland back-to-back letter of credit or any other arrangement as prescribed by the Board, deduct tax from the amount of the proceeds at the **Rate of 1%**.

Section 154: Exports

- The Export Processing Zone Authority established under the Export Processing Zone Authority Ordinance, 1980 (VI of 1980), shall at the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone within the meaning of the aforesaid Ordinance, collect tax at the **Rate of 1%**.
- Every direct exporter and an export house registered under the Duty and Tax Remission for Exports Rules, 2001 provided in Sub-Chapter 7 of Chapter XII of the Customs Rules, 2001 shall, at the time of making payment for a firm contract to an indirect exporter defined under the said rules, deduct tax at the **Rate of 1%**.

Section 154: Exports

- The Collector of Customs at the time of clearing of goods exported shall collect tax from the gross value of such goods at the **Rate of 1%**.
- The tax deductible under this section shall be a **Final Tax** on the income arising from the transactions referred to in this section.
- **The provisions of this section relating to final taxation shall not apply to a person who opts not to be subject to Final Taxation:**
 - **Provided that this sub-section shall be applicable from tax year 2015 and the option shall be exercised every year at the time of filing of return under section 114:**
 - **Provided further that the tax deducted under this sub-section shall be minimum tax.”**

Sec. 155: Income from Property

Every prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax **(in case of individuals and AOPs)** from the gross amount of rent paid at the following rates:

S.No.	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000

Sec. 155: Income from Property

Rate for companies

15% of the gross amount (for filers)

17.5% of the gross amount (for non-filers)

Sec. 156: Prizes and winnings

The rate of taxes on prizes and winnings :

- The rate of tax to be deducted under section 156 on a prize on prize bond or cross-word puzzle shall be **15%** of the gross amount paid for filers and **25%** of the gross amount paid for non-filers].
- The rate of tax to be deducted under section 156 on winnings from a raffle, lottery, prize on winning a quiz, prize offered by a company for promotion of sale, shall be **20%** of the gross amount paid.

The taxability will be **Final Tax**.

Sec. 156A: Petroleum Products

The rates on petroleum products are as below: -

Rate of collection of tax under section 156A shall be **12%** of the amount of payment for filers and **17.5%** for non-filers.

The taxability will be **Final Tax**.

Sec. 156B: Withdrawal under Pension Fund

Pension fund manager making payment from individual pension accounts, maintained under any approved Pension Fund, shall deduct tax at the rate specified in sub-section (6) of section 12 from any amount.

Withdrawn before the retirement age:

Provided that the tax shall not be deducted in case of the eligible person suffering from any disability as mentioned in sub-rule (2) of rule 17 of the Voluntary Pension System Rules, 2005 which renders him unable to continue with any employment at the age which he may so elect to be treated as the retirement age or the age as on the date of such disability if not so elected by him:

Provided further that the tax shall not be deducted on the share of the nominated survivor of the deceased eligible person and would be treated as if the eligible person had reached the age of retirement.

Withdrawn, if in excess of 25% of his accumulated balance at or after the retirement age:

Provided that the tax shall not be deducted in case, the balance in the eligible persons' individual pension account is invested in an approved income payment plan of a pension fund manager or paid to a life insurance company for the purchase of an approved annuity plan or is transferred to an other individual pension account of the eligible person or the survivors' pension account in case of death of the eligible person maintained with any other pension fund manager as specified in the Voluntary Pension System Rules, 2005.

Sec 159: Exemption or Lower Rate Certificate

If the Commissioner is satisfied that an amount to which Division II or III of this Part or Chapter XII applies is –

- (a) exempt from tax under this Ordinance; or
 - (b) subject to tax at a rate lower than that specified in the First Schedule ; or
 - (c) is subject to hundred percent tax credit under section 100C,
- the Commissioner shall, upon application in writing by the person, issue the person with an exemption or lower rate certificate.

(1A) The Commissioner shall, upon application from a person whose income is not likely to be chargeable to tax under this Ordinance, issue exemption certificate for the profit on debt referred to in clause (c) of sub-section (1) of section 151.

Sec 159: Exemption or Lower Rate Certificate

(2) A person required to collect advance tax under Division II of this Part or deduct tax from a payment under Division III of this Part or deduct or collect tax under Chapter XII shall collect or deduct the full amount of tax specified in Division II or III or Chapter XII, as the case may be, unless there is in force a certificate issued under sub-section (1) relating to the collection or deduction of such tax, in which case the person shall comply with the certificate.

(6) Notwithstanding omission of sub-sections (3), (4) and (5), any notification issued under the said sub-sections and for the time being in force, shall continue to remain in force, unless rescinded by the Board through notification in the official Gazette.

Sec 231A: Cash Withdrawal from a Bank

- Every banking company shall deduct tax at the rate specified in Division VI of Part IV of the First Schedule, if the payment for cash withdrawal, or the sum total of the payments for cash withdrawal in a day, exceeds fifty thousand rupees.
- “Explanation.- For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate withdrawals from all the bank accounts in a single day.”

First Schedule, Part IV

Division VI

Cash withdrawal from a bank

The Rate of tax to be deducted under section 231A shall be ~~0.3% of the cash amount withdrawn for filers and~~ “0.6”% of the cash amount withdrawn, for non-filers.

Division VI A

Advance tax on Transactions in Bank

The rate of tax to be deducted under section 231AA shall be at the rate of ~~0.3% of the transaction for filers and 0.6%~~ 0.6% of the transactions for non-filers.

Rule 44: of Income Tax Rules, 2002

Annual Statement of Tax Collected or Deducted

(2) Pursuant to sub-section (2) of section 165, a person responsible for collecting or deducting tax under Division II or Division III of Part V of Chapter X of the Ordinance or under Chapter XII of the Ordinance shall furnish or e-file a monthly statement by the 15th day of the month following the month to which withholding tax pertains as set out in part X of the Second Schedule to these rules.

(3) The statement referred to in sub-rule (2) shall be accompanied by the evidence of deposit of tax collected or deducted to the credit of the Federal Government.

(4) A person required to furnish the statement under sub-rule (2) shall, wherever required by the Commissioner, furnish a reconciliation of the amounts mentioned in the aforesaid monthly statements with the amounts mentioned in the return of income, statements, related annexes and other documents submitted from time to time.

Now it is compulsory to issue notice under Rule 44(4) of Income Tax Rules, 2002 for initiating proceedings u/s 161 of Income Tax Ordinance, 2001.

(5) Pursuant to sub-section (6), a person responsible for deducting tax under section 149 shall furnish or e-file annual statement by the 31st day of the month of July after the end of a financial year in the form set out in Part IX of the Second Schedule to these rules.

**Advance Withholding Tax
under Income tax and Sales tax**

Thank you