

Recent Changes (Applicable in ICAP AUTUMN 2012 Attempt)

INCOME TAX

- The federal budget 2011-12 seeks to enhance basic exemption limit from Rs.300,000/- to Rs.350,000/-.
- Individual taxpayers whose normal income is between Rs.300,000/- to Rs.350,000/- shall now be required to file return of income, for the purposes of documentation.
- Individual Tax Payers would be required to file Wealth Statement if income exceeds Rs.1,000,000 as compared to current limit of Rs.500,000/-
- Tax on services, in case of companies which is currently adjustable is proposed to be the minimum tax.
- To encourage equity financing, and to provide relief to new corporate industrial undertakings established on or after 1st July 2011, with 100% equity financing, a tax credit equal to 100% of tax payable is proposed. The existing companies may also take benefit under this arrangement if investment in BMR is financed through 100% equity, on or after by 1st July 2011.
- The rate of tax on Cash Withdrawals from Banks is proposed to be reduced to 0.2% from existing 0.3%.
- In order to harmonize the existing tax credits available to individuals for investment in shares and for premium paid to Insurance Company, the maximum cumulative limit for both the investments is fixed @ 15% of the taxable income, with maximum upper limit for investment up to Rs. 500,000 as compared to current limit of Rs.300,000/- and the time period for holding the investment to get the benefits of tax credit is enhanced from one year to three years
- Tax relief is proposed to be provided to withdrawals from a Voluntary Pension Fund exceeding Rs. 500,000/-.
- To encourage enlistment on stock exchange, the existing tax credit equal to 5% is proposed to be enhanced to 15%.
- Filing of withholding tax statements are proposed to be filed on **monthly basis** before 15th of the subsequent month.
- For Broadening of Tax Base and utilization of third party databases, NTN and CNIC of eligible taxpayers are proposed to be provided expressly along with other particulars, in the withholding tax statements filed by withholding agents.
- For broadening of tax base, the requirement of mandatory filing of return of income by the commercial and Industrial consumers of electricity with annual billing above one million rupees, is proposed.
- The rate of tax on return on receiving 'dividends' from Asset Management Companies by banks is proposed to be enhanced from 10% to 20% to discourage the practice of arbitrage by banks.
- To encourage investments made by non-residents in Government Securities, the withholding tax on profit on debt deductible @ 10% is proposed to be a final

tax. Now they will not be required to file return of income.

- To encourage domestic investments in the Government Securities, the withholding tax on profit on debt deductible @ 10% arising from investment in Government securities by individual is also proposed to be a final tax. They will also be relieved from statutory filing of return of income.

- After imposition of capital gain tax on Modarba certificates and instruments of redeemable capital traded at stock exchange through Finance Act 2010, the 0.01% CVT on such instruments is proposed to be withdrawn
- Exemption from income tax of the income of Computer Training Institutes is proposed to be withdrawn.