

Voluntary Tax Payment Scheme for Traders

1. The scheme applies to '**Trader**', which for the for the purposes of this scheme means:
 - a. An individual or an Association of Persons;
 - b. Engaged in the business of buying goods or merchandise and selling the same without further processing and providing, business-related after sales services, by doing repair jobs.

2. **Exclusions** from above definition of 'Trader':

It has been specifically provided that an individual or an association of persons shall not qualify as a '**Trader**' to avail this scheme, if engaged in:

- a. Rendering of, or providing of services; and
- b. Retailers:
 - Operating as a unit of a "national or international chain of stores";
 - Operating in an air-conditioned shopping mall, plaza or center, excluding kiosks;
 - Who have a credit or debit card machine;
 - Whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
 - Wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers.

The exclusion of an individual or an association of persons engaged in rendering of, or providing services has been linked with clause (ii) of sub-section (7) of section 153, which is an inclusive definition and covers all types of services. It is confusing that on the hand traders providing 'After Sales Services' have been specifically covered while on the other hand traders providing any type of services have been excluded.

3. **Exclusion from the scheme:**

a. Traders deriving income from following sources:

- Income chargeable under the head "Salary";
- Income chargeable under the head "Income from business" other than trading activities;
- Income chargeable under the head "Capital Gains"; and
- Income chargeable under the head "Income from Other Sources" other than profit on debt and dividend.

b. Members of Senate of Pakistan, National Assembly of Pakistan, Provincial Assemblies and persons convicted under Control of Narcotics Substances Act, 1997 (XXV of 1997), Anti-Terrorism Act, 1997 (XXVII of 1997) and Anti-Money Laundering Act, 2010 (VII of 2010).

4. **For the purposes quantification of tax liability** under this scheme the '**Traders**', have been divided into two categories:

Category - I

- Traders who have not filed a return of income for any of the preceding ten (10) years upto December 31, 2015, i.e. for the tax years 2005 to 2014;

Category - II

- Trader who is a filer; and
- Trader who is NTN holder and a non-filer but has filed return or returns in any of the last ten preceding tax years

5. **Income covered under the scheme** is only the profits and gains of a business from **trading activity** of the 'Trader'.

It is confusing that on the hand in the definition of 'Trader', the trader's providing 'After Sales Services' have been specifically included while on the other hand only income from trading activity has been covered under the scheme.

6. **Tax years covered** under the scheme are 2015, 2016, 2017 and 2018 as a consolidated package.

In case of non-compliance in any of the subsequent tax years (upto 2018) the benefits of the scheme availed in any of the preceding tax years shall stand forfeited.

7. **Computation of tax liability on income from trading activities of business:**

Category - I

Tax Year	Tax Liability *	Conditions
2015	1% of the 'Working Capital'	'Working Capital' should not exceed Rs. 50,000,000
2016	Based on 'Turnover' as per rates given below	'Turnover' shall not be less 3 times of the 'Working Capital' declared for the tax year 2015
2017	Based on 'Turnover' as per rates given below	25% increase in tax liability as compared to tax year 2016
2018	Based on 'Turnover' as per rates given below	25% increase in tax liability as compared to tax year 2017

* No credit for tax collected or deducted at source under various provisions of the Income Tax Ordinance, 2001 shall be admissible, except from profit on debt, dividend and income from property under section 150, 151 and 155 of the Income Tax Ordinance, 2001, respectively.

Similarly, no refund adjustment shall be admissible against this tax liability.

The term 'Working Capital' for the purposes of this scheme has not been defined. As per accounting standards this means excess of current assets over current liabilities. In order to bring clarity in our opinion the term 'Proprietor's/Member's Capital including loans from or any other amount payable to the proprietor or members' should have been used instead of 'Working Capital'.

Rates of tax:

Turnover	Rate of tax
Turnover upto Rs. 50 million	0.2%
Turnover exceeds Rs. 50 million but does not exceeds Rs. 250 million	100,000 rupees plus 0.15% of the amount exceeding 50 million rupees
Turnover exceeds Rs. 250 million	400,000 rupees plus 0.1% of the amount exceeding 250 million rupees

Category - II

- **Where return of income for the tax year 2015 has not yet been filed:**

Tax Year	Tax Liability	Conditions
2015	Based on taxable income and applicable tax rates; Or Based on ' Turnover ' as per rates given above	Tax payable should be higher of: <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2014 or any latest tax year for which a return has already been filed; or • Tax calculated on the basis of turnover as per rates given above; or • Rs. 30,000
2016	-----do-----	Tax payable should be higher of: <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2015; or • Tax calculated on the basis of turnover as per rates given above.
2017	-----do-----	Tax payable should be higher of: <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2016; or • Tax calculated on the basis of turnover as per rates given above.
2018	-----do-----	Tax payable should be higher of: <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2017; or • Tax calculated on the basis of turnover as per rates given above.

- **Where return of income for the tax year 2015 has already been filed:**

Return of income for the tax year 2015 can be revised, without seeking prior permission from the Commissioner, subject to payment of tax as under:

Tax Year	Tax Liability *	Conditions
2015	1% of the 'Working Capital' Or Based on taxable income and applicable tax rates; OR Based on 'Turnover' as per rates given above	<ul style="list-style-type: none"> • 'Working Capital' should not exceed Rs. 50,000,000; and • Tax payable should be higher of: <ul style="list-style-type: none"> ○ 10% increase in tax payable as compared to tax already paid for tax year 2015; or ○ Tax calculated on the basis of turnover as per rates given above.
2016	Based on taxable income and applicable tax rates; OR Based on 'Turnover' as per rates given above	<p>Tax payable should be higher of:</p> <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2015; or • Tax calculated on the basis of turnover as per rates given above.
2017	-----do-----	<p>Tax payable should be higher of:</p> <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2016; or • Tax calculated on the basis of turnover as per rates given above.
2018	-----do-----	<p>Tax payable should be higher of:</p> <ul style="list-style-type: none"> • 25% increase in tax payable as compared to tax year 2017; or • Tax calculated on the basis of turnover as per rates given above.

Tax on profit on debt, dividend and income from property:

In addition the trader has to pay tax, as per applicable rates, on income derived from profit on debt, dividend or property after taking credit of any tax collected or deducted from such sources of income.

8. **Credit of income for the purposes of explaining sources of acquisition of assets** (under section 111 of the Income Tax Ordinance, 2001):

Category - I - Income worked back (Imputable income) on the basis of tax paid.

Category - II - Taxable income declared or income worked back (Imputable income) on the basis of tax paid, which ever is higher.

It may be clarified that the qualifying trader has to explain the sources of acquisition of assets (working capital) in excess of the income worked back (Imputable income) on the basis of tax paid for the tax year 2015, which in every case will be a substantial amount.

This scheme may not be considered as an Amnesty Scheme for assets acquired from untaxed amounts.

9. **Benefits of availing this scheme:**

- a. Immunity from selection for audit of tax affairs for the tax years 2015, 2016, 2017 and 2018 under section 177 and 214C of the Income Tax Ordinance, 2001.
- b. Exemption from deduction of tax source as payer under section 153 of the Income Tax Ordinance, 2001.
- c. Substantially reduced rate of turnover tax ranging from approximately 0.10% to 0.20% as against standard rate of 1%.
- d. Exemption from furnishing of Wealth Statement (statement of assets and liabilities) if the declared taxable income or imputable income does not exceed Rs. 1,000,000.
- e. Traders of 'Category - I' have to file a simple one page return prescribed under the 9th Schedule.

**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 (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:-

- (a) after section 99, the following new section shall be added, 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.- 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.”;

- (b) 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;
- (c) after the Eighth Schedule, the following new Schedule shall be added, namely:-

“THE NINTH SCHEDULE
(See section 99A)

- 1. 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 Rs but does not exceeds 250 million	100,000 rupees plus 0.15% of the amount exceeding 50 million rupees
Where turnover exceeds 250 million	400,000 rupees 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 of the Ordinance, 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 of the Ordinance 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.

PART III
GENERAL PROVISIONS FOR THE TRADERS UNDER PART I AND PART II

1. Traders deriving income other than from trading activities chargeable under the head "income from business", profit on debt, dividend and income from property shall not qualify under this Schedule.
2. The provisions of sections 177 and 214C shall not apply to a trader qualifying under this Schedule, for tax years 2015 to 2018.
3. Trader qualifying under Part I of this Schedule shall file a return as specified in Form 'A' of rule 17 of this Part of this Part and trader qualifying under Part II of this Schedule shall file a return as prescribed under the Income Tax Rules, 2002.
4. A trader qualifying under this Schedule shall not be entitled to claim any adjustment of withholding tax collected or deducted under the Ordinance, against tax payable in respect of profits and gains relating to trading activity.
5. A trader qualifying under this Schedule shall not be entitled to claim any adjustment of refund due against tax payable under rule 2 or 3 of Part I or rule 1, 3, or 4 of Part II.
6. A trader qualifying under this Schedule shall be entitled to claim adjustment of withholding tax collected or deducted under sections 150, 151 and 155 against tax payable in respect of income under section 5, 7B and 15 respectively.
7. If a trader fails to furnish a return for any of the tax years 2016, 2017 or 2018 after having furnished a return for tax year 2015 shall not qualify under this Schedule for any of the tax years 2015 to 2018 notwithstanding the fact that the return for tax year 2015 stood qualified under this Schedule at the time of furnishing of such return and all the provisions of the Ordinance shall apply.
8. Where it is subsequently discovered by the Commissioner that the trader was not eligible to be qualified under this Schedule or became ineligible to be qualified under this Schedule during any time between tax years 2015 to 2018 due to non-payment of tax or filing of return or otherwise, the trader shall be treated to have exercised the option to be assessed under the provisions of this Ordinance, other than this Schedule and all the provisions of the Ordinance shall apply accordingly.
9. Tax payable under rule 2 or 3 of Part I or rule 1, 3, or 4 of Part II shall be paid in the State Bank of Pakistan or authorized branches of National Bank of Pakistan and evidence in the form of a copy of computerized tax payment receipt (CPR) shall be provided along with the specified or prescribed return, as the case may be, by the due date.

10. A trader qualifying under this Schedule shall not be a prescribed person for the purpose of section 153 of the Ordinance.
11. For the income relating to trading activity and qualifying under this Schedule-
 - (a) the Commissioner shall be deemed to have made an assessment of income for that tax year and the tax due thereon as equal to those respective amounts computed under rules 2 or 3 of Part I or rule 1, 3, or 4 of Part II; and
 - (b) the specified or prescribed return, as the case may be, shall, for all purposes of this Ordinance, be deemed to be an assessment order including the application of section 120.

Explanation.- For removal of doubt and for the purpose of this rule, it is declared that income means taxable income or imputable income as the case may be.

12. The Federal Government may, from time to time, by notification in the official Gazette, amend the Schedule so as to add any rule therein or modify or omit any rule thereof.
13. The provisions of sub-section (2) of section 116 shall not apply for the tax year 2015 to the trader qualifying under this Schedule if the declared income for the year is less than one million rupees.
14. Notwithstanding anything contained in aforesaid rules, a return qualifying under this Schedule may be subject to amendment under section 122 where definite information, as defined in sub-section (8) of section 122, comes into the knowledge or possession of the Commissioner in which case all the provisions of the Ordinance shall apply accordingly.
15. In this Schedule,-
 - (a) 'due date' means the date as specified by the Federal Government for tax year 2015 and for the tax years 2016, 2017 and 2018 the date specified in clause (b) of sub-section (2) of section 118.
 - (b) 'turnover' means turnover as defined in clause (a) of sub-section (3) of section 113 of the Ordinance.
16. Members of Senate of Pakistan, National Assembly of Pakistan, Provincial Assemblies and persons convicted under Control of Narcotics Substances Act, 1997 (XXV of 1997), Anti-Terrorism Act, 1997 (XXVII of 1997) and Anti-Money Laundering Act, 2010 (VII of 2010) shall not be eligible to qualify under this Schedule.
17. Return for the trader qualifying under Part I of this Schedule shall be on Form A as specified below:-

Form A
RETURN FOR TRADER QUALIFYING UNDER PART I OF THE SCHEDULE FOR THE TAX
YEARS 2015 TO 2018

Name of proprietor/Managing Member of AOP _____
CNIC: (please attach copy of CNIC) _____
Business (es) Name & Address(es) _____

Phone: _____ Email: _____ Mobile: _____
Residential Address of the proprietor: _____

Name(s) and Residential address(es) of Members of AOP (if applicable)

- (1) Amount of working capital _____
- (2) Tax payable on (1) above (for tax year 2015 only) _____
- (3) Total Turnover _____
- (4) Tax payable on (3) above (for tax years 2016 2017 and 2018 only) _____
- (5) Income from Property/Profit on Debt/Dividend, if any, _____
- (6) Tax payable on (5) above less already withheld _____
- (7) Amount of Tax [(2) or (4)] plus (6) _____
- (8) CPR No: _____ Dated: _____

Declaration:

I _____ CNIC No. _____ in my capacity as self /representative of taxpayer named above, do hereby solemnly declare that to the best of my knowledge and belief the information given in simplified return is correct and complete in accordance with the provisions of Part I of the Ninth Schedule to Income Tax Ordinance, 2001

Signature : _____
Date : _____ "