TAX PAK

NEWSLETTER BY TOLA ASSOCIATES

JANUARY

2020

https://goo.gl/LFiWyx **https://goo.gl/QDM4ZM**

ADDRESS

408, 4th Floor, Continental Trade Centre,
Clifton Block-8, Karachi

Email: connect@tolaassociates.com Ph# 35303294-6

Website: www.tolaassociates.com

[This page is left blank intentionally]

CONTENTS

Tax Notifications/ Circulars

Corporate Notification/ Circulars

No Penalty on Late Filling of Withholding Statements If No Loss to Revenue Involved - LHC

Time Period for Passing Order Mandatory Under Sales Tax Act, 1990 - ATIR

Topic of the Month - Dependent Personal Services

CONTRIBUTORS

Mr. Ashfaq Tola - FCA
Editor in Chief

Mr. Muhammad Furqan - ACA - Managing Editor

Mr. Muhammad Amayed Ashfaq - Contributor

Mr. Talha Shahid - Contributor

Mr. Sameer Ahmed
Designer

EDITORIAL NOTE

By the grace of Almighty Allah, we are back yet again with our 27th edition of this monthly issue for January 2020. It is our absolute pleasure to have compiled this Newsletter to keep all our readers up to date with regards to the taxation system and the important updates therein.

Following our trend, we have once again discussed a recent development in the form of a seminal judgment. The said judgment pertains to the procedure and powers used by the Commissioner Inland Revenue, to issue a notice under Section 3(1A) of the Sales Tax Act 1990, pertaining to further tax. The adjudicating authority in the above was the Appellate Tribunal Inland Revenue, Islamabad. Moreover, we have concluded our newsletter with our Topic of the Month "Dependent Personal Services" which elaborates the cross-border treatment of income arising from activities of certain profession(s).

In addition to the above, we have also included certain notifications and/or circulations issued by the Securities & Exchange Commission of Pakistan, and the Federal Board of Revenue.

All our readers are requested to visit our website www.tolaassociates.com, or download our mobile application from the links mentioned hereinbelow, in order to access previously published editions of this monthly issue along with other publications, and to stay updated of future notifications.

1. https://goo.gl/QDM4ZM **(iOS)**
2. https://goo.gl/LFiWyx **(Android)**

Lastly, we request our readers to circulate this e-copy within their circle, as our primary aim is to benefit the masses. Feedback is always welcomed.

Ashfaq Tola - FCA
Editor in Chief

President Tola Associates Mr. Ashfaq Tola receiving memento from Dr. Hameed Ateeq Sarwar, Member Policy FBR, as Guest of Honour at ICMAP Seminar on Tax Law (Second Amendments)Ordinance, 2019 in Islamabad. This seminar was held on Thursday 16th January, 2020.

1. TAX NOTIFICATIONS/ CIRCULARS

1. EXCLUSION FROM THE 90% INPUT TAX LIMIT - SECTION 8B

As per Section 8B of the Sales Tax Act 1990, a registered person shall not be allowed to adjust input tax in excess of 90% of the output tax, for a particular tax period. Therefore, in case of a lower profit margin he is required to pay 10% of his output tax to FBR. It means that if his input tax during a tax period exceeds his output tax as a result of loss or overbuying (closing stock), he is not entitled to get a refund, and will instead have to pay 10% of his output tax to FBR.

However, FBR has excluded certain businesses/ persons from the abovementioned restriction in certain situations. The exception has been granted due to the nature of business, genuine low profit margins and cashflow issues. The exclusion has been granted through SRO No. 647 dated 27.6.2007, which was superseded by SRO No. 1190(I)/2019 dated 2nd November 2019, and SRO No. 1290(I)/ 2019 dated 30th October 2019. These are provided in Table-1 that includes:

1. Persons registered in the electrical energy sector.
2. Oil marketing companies and petroleum refineries.
3. Fertilizers manufacturers.
4. Persons making zero-rated supplies, including exports, provided that the value of such supplies exceeds 50% of the value of all taxable supplies in a tax period.
5. Distributors.
6. Gas distribution companies.
7. Telecommunication services.
8. Pakistan Steel, Bin Qasim, Karachi.
9. Registered persons, other than manufacturers, making supplies of the items covered under the Third Schedule of the Sales Tax Act 1990 on which sales tax has been paid by the manufacturer or importer on the retail price, provided that value of such supplies exceeds 80% of the value of all taxable supplies in a tax period.
10. Commercial importers; where value of imports is subject to a 3% value addition, as prescribed in the Twelfth Schedule to the Act exceeds 50% of value of all taxable purchases, including imports, in a tax period.
11. CNG dealers, provided that the value of natural gas on which sales tax is charged on the basis of value notified by the Federal Board of Revenue, exceeds 50% of the value of all taxable purchases in a tax period.
12. Petroleum dealers of licensed oil marketing companies.

The following persons mentioned in Table-2 are restricted to adjust their input tax to the extent of 95% of the output tax for the tax period:

1. Retailers also importing goods in bulk and operating chains of stores.
2. Wholesalers of yarn.

Now, the FBR vide SRO No. 36(I)/2020 dated 21st January 2020, has added “Automobile manufacturing companies which are listed on Pakistan Stock Exchange” into Table-2. The exclusion, however, is available for companies listed till December 2020.

2. EXPLANATION OF IMPORTANT AMENDMENTS IN SALES TAX ACT, 1990 AND FEDERAL EXCISE ACT, 2005 - TAX LAWS (SECOND AMENDMENT) ORDINANCE, 2019

The FBR has issued a Circular bearing No. 01 of 2020, dated 16th January 2020, to explain the important amendments made through the Tax Laws (Second Amendment) Ordinance 2019, in relation to the following:

1. Definition of Green Field Industry.
2. Rationalization of the scope of Tier 1 Retailers.
3. Penalty for persons who violate FBR Integrated Software for Sale, or Track and Trace System.
4. Penalty for violation of printing requirement of Retail Price.
5. Penalty for violation of Section 40D -To document further supplies from tax exempt areas
6. Amendment in Section 73-Manufacturers to sell goods to Registered Persons.
7. Rationalization of rate of Imported Cotton.

8. Amendment in the 12th Schedule.
9. Chargeability of Mobile Phones.

This explanation is in line with our commentary issued earlier on the abovementioned Ordinance. Feel free to ask your relevant contact within the firm for an (e-)copy, should you require one.

3. FBR'S CLARIFICATION ON THE AMENDMENT IN SECTION 73(4) OF SALES TAX ACT 1990

The FBR has issued a Sales Tax General Order (hereafter "the said Order"), bearing No. 01 of 2020, dated 16th January 2020. By virtue of the said Order, the FBR has clarified certain anomalies which had surfaced due to the amendments made in Section 73 of Sales Tax Act 1990 (hereafter "the said Act") through Tax Laws (Second Amendment) Ordinance 2019 (hereafter "the said Ordinance"), the main purpose of which was to document the economy by bringing in the major distributors/retailers into a documented regime.

Before commenting on the clarification issued by the FBR, the relevant amendments in Section 73 have been reproduced hereinbelow for the purposes of reference:

"(4) A registered manufacturer shall make all taxable supplies to a person who has obtained registration under this Act excluding supplies not exceeding a value of one hundred million Rupees in a financial year and ten million Rupees in a month, failing which the supplier shall not be entitled to claim credit adjustment or deduction of input tax as attributable to such excess supplies to unregistered person."

From the abovementioned amendment, the following anomalies had arisen, which have now been clarified by the said Order:

A. In our opinion, the term "unregistered person" used in the amendment is a singular term which implies that the restriction is applicable to a single unregistered person, instead of total sales to all unregistered persons (we had taken a similar view in our commentary issued on the said Ordinance, prior to the issuance of this clarification). Moreover, the FBR, in their clarification issued through the said Order, has concurred with our view in relation to the same. They have stated that the threshold of Rs. 10 million per month/100 million per year is applicable on goods supplied to **one specific person** by the registered person. However, we are of the view that this contradicts the very purpose of the said amendment; to bring unregistered distributors into documented regime, as CNICs of relatives/employees may be provided by buyer to avoid the threshold.

B. The amendment also caused confusion as to whether all unregistered persons (including various government authorities, armed forces, hospitals, Universities, Charities, EPZ entities etc.) come within its ambit, or only those unregistered persons which were required to be registered. The FBR has clarified through the said Order, that the term 'unregistered persons' applies only to those unregistered persons who are engaged in supply of taxable goods. Supplies made to the following persons shall be exempt from the application of Section 73(4) of the said Act;

a. Federal / provincial / local Government departments, authorities, etc., that are not engaged in making taxable supplies; and

b. Foreign Missions, diplomats and privileged persons; and

c. To all other persons not engaged in supply of taxable goods.

It may be noted that the term 'privileged person' has been defined in the Sales Tax Rules as a person covered by United Nations (Privileges and Immunities) Act 1948 (XX of 1948), and includes persons entitled to concessions and exemptions under the Model Rules for Customs Concessions to Privileged Personnel arriving under various foreign aid programs or projects issued by the Board under C. No. 10 (34)-Cus-III/58, dated the 18th April, 1963.

C. There are some industries such as the local automotive manufacturers of truck and buses, steel and cement etc., in which manufacturers sell directly to customers against their CNIC/NTN, and the amendment also requires sales tax registration of these customers, thereby halting the sales of these industries. The clarification given by the FBR has also excluded these unregistered end users for purposes of the threshold.

4. EXTENSION IN DATE FOR FILLING OF ‘ANNEXURE H’ FOR THE TAX PERIOD OF JULY 2019 & AUGUST 2019

The FBR vide Letter no. C.No. 9(11)/ST/ Misc/Cond/2016/3948-R dated 9th January 2020, has extended the date for filing of Annexure H, which pertains to the refund claim for the exporters for the tax periods July 2019 & August 2019, up to 15.02.2020.

5. EXTENSION IN DATE FOR FILLING OF SALES TAX /FEDERAL EXCISE RETURN FOR THE TAX PERIOD OF NOVEMBER 2019

The FBR vide Letter no. C.No. 9(11)/ST-LPE/ Misc/2016/4408-R dated 10th January 2020, has extended the date for filling of Returns for the Tax period November 2019, up to 13.01.2020.

6. APPLICATION OF SERIAL NO. 26 OF SECTION 33 “PENALTY” OF THE SALES TAX ACT 1990.

The FBR had inserted Serial no. 26 in Section 33 of the Sales Tax Act 1990 (hereafter “STA”), through The Tax Laws (Second Amendment) Ordinance, 2019, whereby any person being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as required under the STA, shall pay a penalty of the higher of ten thousand rupees, or, 5% of the amount of tax involved. Moreover, such goods shall also be liable to confiscation. However, the adjudicating authority, after such confiscation, may allow redemption of the goods upon payment of a fine which shall not be less than 20% of the total retail price of such goods.

Now, the FBR has issued a clarification about the applicability of the aforementioned, through letter no. C.No. 1/2-STB/2019/5811-R dated 14th January 2020, wherein it has clarified that, at import stage, the mechanism for the clearing of goods already defined in the STGO 103 of 2019 is to be followed. As per the said STGO, printing of the retail price is not possible in certain situations, and allows for the clearance of goods on the payment of Sales Tax in the manner prescribed therein, subject to the furnishing of an undertaking that the retail price shall be duly printed. Therefore, the provisions of the STGO are to be followed by the Customs Authorities. However, the pertinent undertaking shall mention that the importer shall print the retail price within ten days of release/clearance of the consignment and intimate the concerned Commissioner for inspection before further supply. However, if the inspection is not conducted within **ten days** of intimation, the importer/manufacturer will be free to supply it in the market. The newly inserted penal provisions shall be invoked if the manufacturer/ importer violates the undertaking or is otherwise non-compliant with requirement of retail price taxation.

7. EXEMPTION FROM BALOCHISTAN INFRASTRUCTURE CESS

The Balochistan Revenue authority has issued a Notification bearing No. BRA/BIDC/02/2019, dated 24th January 2020, whereby the equipment and construction material imported by the New Gwadar International Airport (hereafter “NGIA”) for its NGIA project funded by a donor agency under interest free loans or grants for the Province of Balochistan, is exempted from Balochistan Infrastructure Cess.

8. EXEMPTION FROM SINDH SALE TAX ON CONSTRUCTION SERVICE

The Sindh Revenue Board has issued a Notification bearing No. SRB-3-4/4/2020, dated 21-Jan-2020, amending the consolidated Notification bearing No. SRB-3-4/7/2013 dated 18th June 2013, and provided an exemption for Construction Services (tariff heading 9824.0000) on the construction of homes up to 125 square yards and flats up to 900 square feet in low cost affordable housing projects, approved and funded by, the Federal Government or the Government of Sindh.

9. EXTENSION IN DATE OF FILING INCOME TAX RETURNS/STATEMENTS FOR TAX YEAR 2019

The FBR, vide Circular 01/2020 dated 31st January 2020, has provided another extension for the filing of Income Tax Returns under Section 114, and Statements under Section 115. The extension has been granted up to 28th February 2020, for the following:

- Companies with a Special Tax Year, provided they have already paid 95% of admitted tax liability on or

before 30-Sep-2020
- Companies with a Normal Tax Year
- Salaried persons
- Other Individuals
- Association of Persons.

2. CORPORATE NOTIFICATIONS/ CIRCULARS

1. DRAFT AMENDMENTS TO THE PUBLIC OFFERING (REGULATED SECURITIES ACTIVITIES LICENSING) REGULATIONS, 2017.

The SECP vide SRO No. 27, dated 10th January 2020, has issued Draft Amendments to the Public Offering (Regulated Securities Activities Licensing) Regulations, 2017, wherein it has proposed 3 new provisos' to be added in the current Regulations.

Moreover, the SECP has also notified regarding any objections or suggestions in relation to the aforementioned amendment. Per the notification, any such objection or suggestion may be submitted to the SECP by persons likely to be affected by the said amendments within **14 days of placement of the draft amendments on the website of SECP**.

2. DRAFT AMENDMENTS TO THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016.

The SECP vide SRO No. 26, dated 10th January, 2020 has issued Draft amendments to the Securities Brokers (Licensing and Operations) Regulations, 2016. Through the SRO, the SECP has made additions, as well as substitutions, in the above-mentioned Regulations. The main highlight of the draft is the categorization of the Security Brokers into three categories namely; "trading only", "trading and self-clearing" and "trading and clearing".

3. DRAFT AMENDMENTS TO THE SECURITIES AND FUTURES ADVISERS (LICENSING AND OPERATIONS) REGULATIONS, 2017

The SECP vide SRO No. 28 dated 10th January 2020 has issued Draft amendments to the Securities and Futures Advisers (Licensing and Operations) Regulations 2017, wherein it has proposed to delete 3 provisos from regulation 3 of the said Regulations, and add one proviso each in regulations 5, 7 and 17 each.

The changes in the provisos have been proposed due to the categorization of the Security Brokers into three categories namely; "trading only", "trading and self-clearing" and "trading and clearing".

The newly proposed amendments suggest that the brokers will not be required to submit a separate application for license under the regulations when they apply to convert to any of the above-mentioned categories of brokers. This will help in easing the transition, and the process of categorization.

4. DRAFT THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020

The SECP vide SRO No. 33 dated 15th January 2020 has issued Draft Regulations for the purpose of further issuance of shares titled "The Companies (Further Issue of Shares) Regulations, 2020".

The regulation will be applicable in the case of the companies issuing further capital by means of;

(i) Right shares;
(ii) Other than right shares;
(iii) Bonus shares;
(iv) Employee stock option schemes; and
(v) Shares with different rights including preference shares.

All persons likely to be affected by the proposed regulations, have been given an opportunity to present their objections or observations (if any) within **14 days from the date of the notification**.

3. NO PENALTY ON LATE FILLING OF WITHHOLDING STATEMENTS IF NO LOSS TO REVENUE INVOLVED - LHC

In "The Commissioner Inland Revenue vs M/s Ali Aqib & Company (Tax Reference 12 Of 2018)", the Appellate Tribunal Inland Revenue Lahore (hereafter "ATIR")

removed a penalty imposed by the department for late filling of the withholding statement under Section 165 by the taxpayer. The basis of this removal was that no loss of Revenue was involved. The department being dissatisfied with the Order of the ATIR, preferred a reference under Section 133 of the Income Tax Ordinance (hereafter "ITO") before the Hon'ble High Court of Lahore (hereafter "LHC"). The question of law involved was that whether or not, the not-filling of a withholding statement under Section 165 "Statements" within the time stipulated, will attract the penalty prescribed for late filling under Section 182(1)(1A).

The LHC upheld the Order of the ATIR on the basis that it did not suffer from any factual or legal weakness. It also observed that it is a well settled principal, that the High Court has to decide a reference application while exercising advisory jurisdiction, and not original or appellate jurisdiction. It further observed that this advisory jurisdiction has to be exercised on the facts and circumstances founded by ATIR, which is the last fact-finding forum. Nevertheless, it also observed that the High Court cannot change findings of facts arrived at by the ATIR, unless the same are shown to be contrary to record.

4. TIME PERIOD FOR PASSING ORDER MANDATORY UNDER SALES TAX ACT 1990 - ATIR

In the case of M/s Dewan & Co. Vs Commissioner Inland Revenue, RTO Rawalpindi (Reported as 2019 SLD 3006), the taxpayer supplied beverages of different brands to unregistered retailers/persons during March 2001 to April 2002. However, he failed to charge and deposit further tax as required under Section3(1A) of the Sales Tax Act 1990 (hereafter "the said Act"). This was adjudicated by an assessing officer through an Order in Original (hereafter "OIO") dated 14.04.2004. Being aggrieved thereof, the taxpayer preferred an appeal with the Commissioner Inland Revenue (hereafter "CIR") (Appeals-III), Islamabad. The same was rejected vide Order dated 09.10.2013 as being time barred. The taxpayer then preferred a second appeal before the Appellate Tribunal Inland Revenue, Islamabad (hereafter "ATIR") on the grounds that the OIO was passed under the repealed Section 36(3) **"Recovery of tax not levied or short-levied or erroneously refunded" (Now Section 11 of the STA)**, after the expiry of 90 days from date of SCN, hence it is illegal and void abinitio. He further contended, that since the OIO is void, the limitation of time for filling of the appeal would not apply. He further pleaded that the FBR had excluded a registered person from the levy of further tax under Section 3(1A) of the said Act, on the basis of a judgement of the Hon'ble Peshawar High Court(reported as **2004 PTD 2267**), wherein it was held that further tax could not be charged on Third schedule items. He further argued that the FBR levied further tax on taxpayer in the instant case, hence discriminating against the taxpayer.

The ATIR observed that if the statutory requirement is directive in nature, it would not render the act void, and will only entail penal consequences if not done in the prescribed manner. However, non-compliance of a mandatory provision will invalidate such act. On this basis, the ATIR held that the prescribed time of 90 days, for making an Order u/s 36(3) (parametria to the existing section 11) of the said Act is a **mandatory provision**, and non-compliance thereof rendered the Order to be invalid. Lastly, it was held that the limitation for filing an appeal does not apply in a situation, where the Order is declared to be void. This was also reported in 2019 SCMR 648. Hence, on basis of these, the Order passed by the lower authorities were annulled.

5. TOPIC OF THE MONTH

- DEPENDENT PERSONAL SERVICES

A. PROLOGUE

We conclude our Newsletter with our topic of the month; "Dependent Personal Services" (hereafter "the said topic"). This is in continuation to our previous months' Article on "Independent Personal Services".

We offer you a brief analysis of the said topic hereinbelow. It may be noted that the said topic differs to the topic presented within last month's issue, in so much so, that it presents an almost 'vice versa' like position.

We shall sphere our analysis around the taxability of income from employment, excluding pension. It may be noted that salaries, wages, and other similar remunerations fall within the ambit of dependent personal services.

B. DEFINITION

i. Dependent Personal Services

The UN Model convention includes salaries, wages and other similar remuneration (i.e. employment income) under "Dependent Personal Services" (hereafter "DPS"), whereas, Directors' Fees, remuneration of top managerial officials, Pensions and social security payments, and Remuneration from Government service, have been excluded from the ambit of DPS. However, some of Pakistan's Double Tax Avoidance Agreements (hereafter "DTAA") additionally exclude income of Artists and Athletes, and remuneration of Students, Trainees and Teachers, from within the ambit of DPS.

C. TAXABILITY OF DEPENDENT PERSONAL SERVICES

As per the UN Convention, which has also been adopted by Pakistan, the remuneration from an employment, received by the resident of a Contracting State, will be taxable only in the country of residence. However, where the employment services are rendered in the country from where the income is received i.e the country of source, the remuneration may be charged to tax in the country of source. The place from where the employment is being exercised is to be determined, and is of immense value for the purposes of taxability of remuneration in terms of DPS.

ILLUSTRATION

i. Mr. A, a Pakistani resident works for a company in UAE from Pakistan. He does not visit UAE at any time during the year. Here, since the employment is exercised in Pakistan, the remuneration from such employment will be liable to tax in Pakistan, being the country of residence.

ii. Mr. A, (Pakistani resident) is a retired employee who receives pensions for services rendered by him in during the years of his employment, such remuneration will not be taxable under the scope of DPS.

iii. Mr. A is a Pakistani resident and a director of XYZ Ltd, in UAE. He receives remuneration for his services. Such remuneration will not be taxable under the scope of DPS.

iv. Mr. A, a Pakistani resident is employed in the police services in UAE, from where he receives remuneration for his service. Such remuneration will be taxable under the scope of Taxability of Government service and not under DPS.

D. INCOME FROM DPS WHERE THE EMPLOYMENT IS EXERCISED IN THE COUNTRY OF SOURCE.

In terms of Article 15.1 of the UN Model Convention, where the employment is exercised in the country of source, the income (in terms of DPS) generated from such employment may be taxed in the country of source.

However, Article 15.2 goes on to cap the freedom provided to the country of source to tax such income. As per the abovementioned Article, if the following conditions are met, then the income arising from employment exercised in the country of source, shall be taxed only by the country of residence, if all the following conditions are met;

a. *"The recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any 12 months period commencing or ending in the fiscal year concerned". (Article 15.2(a)). Succinctly put, where the presence of the employee does not exceed 183 days during a 12-month period concerning the relevant fiscal year;* ***and***

b. *The remuneration is paid by, or on behalf of, an employer who is not a resident of the other State (Article*

15.2(b)). This basically pertains to the residential status of the employer. Per this requirement, the employer must not be a resident of the source country; ***and***

c. The remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State. (Article 15.2(c)). This is self-explanatory in nature.

E. CONDITION 1: PRESENCE NOT EXCEEDING 183 DAYS

ILLUSTRATION:

Mr. A, a Pakistani resident, is employed by a company in the UAE for the financial year. He is physically present in Malaysia from 1st January to 31st May. He comes back to Pakistan for a month for employment related work to be done in Pakistan and returns to UAE on 1st of July. He stays in UAE up-to 30th December after which his contract is terminated.

In this case, the condition of physical presence not exceeding 183 days is satisfied for Mr. A, though he was working for the company in UAE for the financial year, his physical presence in UAE didn't exceed 183 days. Therefore, the first condition is satisfied.

F. CONDITION 2: EMPLOYER IS NOT RESIDENT OF THE COUNTRY OF SOURCE.

ILLUSTRATION:

Mr. A, a Pakistani resident, is employed in a company in the UAE which is a subsidiary of a company in the UK. Mr. A is rendering his services to the UAE based company. Additionally, he renders services to the UK based company from the subsidiary in UAE. The entire remuneration is paid by the subsidiary in UAE while the UK based company reimburses the remuneration paid for the services rendered by Mr. A to the UK bases company.

In this case, in respect of remuneration reimbursed by the UK based company, the real employer being UK, the provisions of this condition are satisfied. Here the UAE subsidiary is just making payment of salary to Mr. A in respect of services rendered to the UK based company on behalf of them.

G. CONDITION 3: REMUNERATION IS NOT BORNE BY THE PERMANENT ESTABLISHMENT (PE) OR FIXED BASE OF THE EMPLOYER.

ILLUSTRATION:

XYZ ltd, a Pakistani company has a PE in UAE (E Inc.) and UK (K Inc.). It has deputed Mr. A, a Pakistani resident, to render services from UAE to XYZ ltd and E Inc. Additionally, he is employed by K Inc. to perform his services to K Inc. from UAE. Mr. A is in UAE for a period of 135 days. He receives salary from all the three companies separately.

In this case, for salary received from Pakistan, the question of cross-border taxability of the same does not arise as the country of residence and source are the same. Hence, it will be taxed in terms of the local tax laws of Pakistan.

For the salary received from UAE, since all the conditions specified in Point E are not satisfied, such salary may be taxed in UAE. Additionally, Pakistan by using its right to tax global income of residents, will also tax such salary while providing relief for taxes paid in UAE.

For the salary received from UK, since all the conditions specified in Point E, are satisfied, such salary will be taxable only in Pakistan and not in UAE.

DISCLAIMER

This newsletter is the property of Tola Associates and contents of the same may not be used or reproduced for any purpose without prior permission of Tola Associates in writing.

The contents of this newsletter may not be exhaustive and are based on the laws as of date unless otherwise specified. Tax laws are subject to changes from time to time and as such any changes may affect the contents.

The comments in the newsletter are a matter of interpretation of law and is based on author's judgments and experience, therefore, it cannot be said with certainty that the author's comments would be accepted or agreed with by the tax authorities. Furthermore, this newsletter does not extend any guarantee, financial or otherwise. Tola Associates do not accept nor assume any responsibility, whatsoever, for any purpose.

This newsletter is circulated electronically free of cost for general public to create tax awareness in the country.

[This page is left blank intentionally]

OFFICES IN PAKISTAN

Karachi Address:
Office no. 408, 4th Floor, CTC Building, Clifton Block-8, Karachi
Tel #: +92 21-3530 3294-6

Islamabad Address:
144, 1st Floor, Street No.82
Sector E-11 / 2 FECHS
Islamabad 44000,
Tel #: +92 51-835 1551

Lahore Address:
202-E, 2nd Floor, Sadiq Plaza
69-The Mall Road, Lahore
Tel #: +92 42-3628 0403

https://goo.gl/LFiWyx

https://goo.gl/QDM4ZM