

**PRESENTATION**  
**BY**  
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**AUGUST 21, 2021**

## KEY MATTERS IN TAXATION OF NON-RESIDENT INDIVIDUALS

Who is required to file a return of income	<p><b>(1) <u>Individual</u></b></p> <p>(a) having taxable income beyond Rs. 400,000;</p> <p>(b) charged to tax in previous two tax years;.</p> <p>(c) owns immovable property above threshold (<i>NRs not required to file return on the basis that they own immoveable property</i>);</p> <p>(d) owns a motor vehicle having engine capacity above 1000 CC; and</p> <p>(e) Registered with any trade to professional body for instance KCCI, ICAP etc. (<i>NRs are excluded from this condition</i>).</p> <p><b>(2)</b> CIR can ask <u>any person</u> to file the return for:</p> <ul style="list-style-type: none"><li>• Any of last completed 10 years (if a person has not filed return in any last 5 years).</li><li>• Any tax year if a person has foreign income or own foreign assets.</li></ul>
Due date	September 30

## **KEY MATTERS IN TAXATION OF NON-RESIDENT INDIVIDUALS**

Wealth statement of assets (including separate statement for foreign assets / income above USD 100,000 / 10,000)	Resident individual (CIR can ask NR to file wealth statement)
Penalties (for non-filing)	<p><b><u>Return</u></b>            Minimum (Rs. 5,000 to Rs. 40,000)            Maximum (0.1% of tax payable per day up to 50% of taxable income)</p> <p><b><u>Wealth statement</u></b>            Minimum Rs. 100,000            Maximum 0.1% of income / week and 2% of foreign income / assets for non-filing of foreign assets / wealth statement</p>
Inclusion in Active Taxpayers List (ATL) if return is not filed by due date	<p>By paying surcharge as under:</p> <p>(i) Rs. 20,000 in case of Company.            (ii) Rs. 10,000 in case of AOP.            (iii) Rs. 1,000 in case of Individual</p>

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## ***ROSHAN DIGITAL ACCOUNT (RDA)***

NRPs with Pakistani passport, NICOP, POC or NIC can open RDA digitally with simplified requirements. It can be opened within 2 working days subject to completion of online form and uploading of required documents.

- Following two types of accounts can be opened under RDA:

**(a) Foreign Currency Value Account (FCVA) - For investment in:**

- Foreign currency-denominated debt securities of the GOP, including USD Naya Pakistan Certificates.
- Foreign-currency deposit products of the bank maintaining the account.

**(b) NRP Rupee Value Account (NRVA) - For investment in:**

- Pakistani rupee-denominated debt securities of GOP including rupee Naya Pakistan Certificates, T-Bills, PIBs etc.
- listed shares.
- residential and commercial real estate.
- Pakistani rupee-denominated deposit products of the bank maintaining the account.

**The taxation of income of RDA and Non-RDA is discussed in the following slides.**



## INTEREST INCOME

	Interest / Profit on		Non – RDA
	Bank deposit	Government securities (conventional / shariah compliant)	
Taxability / withholding	0%	10%	<ul style="list-style-type: none"> <li>FCY A/c - 0%</li> <li>Rupee A/C (if fed by FCY) - 0%</li> <li>National Saving Certificate / Government Securities -15%</li> <li>Others - income up to Rs. 5 million - 15%</li> <li>Others - income above Rs. 5 million - taxability at slab rate (+30%); withholding @15%</li> </ul>
Return filing requirement	No	No	Yes
NTN requirement	No	No	Yes
Double withholding on account of being non-filer	No	No	Yes

## **CAPITAL GAINS ON IMMOVABLE PROPERTY**

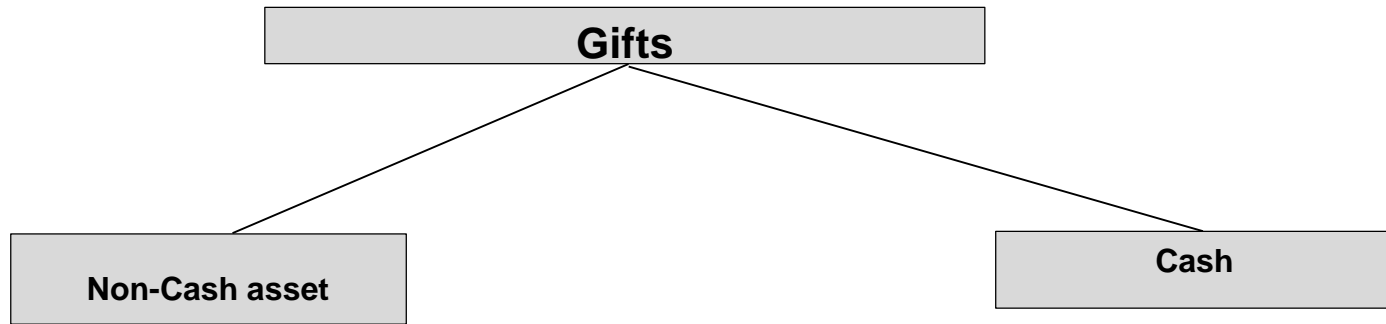
	RDA	Non-RDA															
Taxability / withholding	<ul style="list-style-type: none"> <li>• 1% at the time of purchase;</li> <li style="text-align: center;">&amp;</li> <li>• 1% at the time of sale (0% if sold after 4 years)</li> </ul>	<p>Adjustable withholding at the time of purchase and sale @1% respectively.</p> <p>Tax liability on capital gains is computed in two steps:</p> <p>(i) Gain is reduced by a %, depending upon holding period e.g. if holding period is 2 – 3 years, gain is reduced by 50%. Disposal after 4 years is not taxable;</p> <p>(ii) Gains computed in (i) is subject to tax at following rates:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">S. No</th> <th style="text-align: center;">Amount of Gain</th> <th style="text-align: center;">Rate of Tax</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Not exceeding Rs. 5 million</td> <td style="text-align: center;">3.5%</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Exceeding Rs. 5 million but not Rs. 10 million</td> <td style="text-align: center;">7.5%</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Exceeds Rs. 10 million but not Rs. 15 million</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">4.</td> <td>Exceeding Rs. 15 million</td> <td style="text-align: center;">15%</td> </tr> </tbody> </table>	S. No	Amount of Gain	Rate of Tax	1.	Not exceeding Rs. 5 million	3.5%	2.	Exceeding Rs. 5 million but not Rs. 10 million	7.5%	3.	Exceeds Rs. 10 million but not Rs. 15 million	10%	4.	Exceeding Rs. 15 million	15%
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4.	Exceeding Rs. 15 million	15%															
Return filing requirement	No	Yes															
NTN requirement	No	Yes															
Double withholding on account of being non-filer	No	Yes															

## **CAPITAL GAINS AND DIVIDEND INCOME**

	RDA			Dividend	Non-RDA
	Capital gains				
	Government securities / shariah compliant	Listed shares	Mutual funds		
Taxability / withholding	10%	12.5% (7.5% for IPPs)	10% - 12.5%	15%	Same, except for Government securities where taxability will be @12.5%
Return Filing requirement	No *	No	No	No	Yes
NTN Requirement	No *	No	No	No	Yes
Double withholding on account of being non-filer	No	No	No	No	Yes

\* Inadvertent omission from clause (114A) of Part IV of Second Schedule

## TAXATION OF GIFTS



- If giftor / giftee are **\*relative**, then no tax implication. Giftee will be allowed the cost being FMV of asset at the time of gift; unless giftee dispose of asset within 2 years (of gift) as part of Tax Avoidance Scheme.
- If giftor / giftee are not relative:
  - Giftor can be taxed on (FMV (Less) Cost upon transfer of property.
  - Giftee can be taxed on FMV of gift received.

*\* Relative is defined to mean:*

- (a) *an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or*
- (b) *a spouse of the individual or of any person specified in clause (a).*

- If giftee is relative and giftor having NTN transfer through banking channel; then no tax implication
- If any of the above condition is not met, then giftee can be taxed on amount of gift received.