



NON-RESIDENT TAXATION

Presented by:

Mr. Ashfaq Tola – FCA

President

Tola Associates

Dated: August 21, 2021



CONTENTS

A horizontal arrow with a gradient from red to blue, pointing from left to right.

- **NON-RESIDENT DEFINITION**
- **GEOGRAPHICAL SOURCE OF INCOME**
- **TAXATION**
- **FILING REQUIREMENTS**



1. NON-RESIDENT DEFINITION

[1/2]

A. INDIVIDUAL

As per section 82 of ITO, an individual shall be a resident for a tax year if:

- He is present in Pakistan for 183 days or more in Pakistan in aggregate; or
- He is an employee or official of Federal Government or a Provincial Government posted abroad in the tax year.

Prior to enactment of Finance Act, 2021, an Individual having stay in Pakistan:

- For 120 days or more during the tax year; and
- For 365 days or more during preceding 4 tax years

was also treated as resident

1. NON-RESIDENT DEFINITION

[2/2]

B. COMPANY

As per section 83 of ITO, a Company shall be a resident company a tax year if :

- It is incorporated or formed by or under any law in force in Pakistan;
- Control and management of the company is situated wholly in Pakistan at any time in the year;
- or
- It is a Provincial Government or Local Government in Pakistan

C. AOP

As per section 84 of ITO, an AOP shall be resident in Pakistan if the control and management of the affairs of the AOP is situated wholly or partly in Pakistan at any time in the year

2. GEOGRAPHICAL SOURCE OF INCOME (SECTION.101) [1/6]

A. SALARY

Salary shall be Pakistan-source income to the extent to which the salary

- is received from any employment exercised in Pakistan, wherever paid; or
- is paid by, or on behalf of, the Federal Government, a Provincial Government, or a Local Government in Pakistan, wherever the employment is exercised

B. BUSINESS INCOME

- Business income of a resident person shall be Pakistan-source income to the extent to which the income is derived from any business carried on in Pakistan.

2. GEOGRAPHICAL SOURCE OF INCOME (SECTION.101) [2/6]

C. DISPOSAL OF ANY ASSET OR PROPERTY

- Gain on disposal of any asset or property used in business in Pakistan will be Pakistan source income.

D. DIVIDEND

- A dividend shall be Pakistan-source income if it is paid by a resident company

E. PROFIT ON DEBT

- Profit on debt shall be Pakistan-source income if it is:
 - Paid by a resident person; or
 - Borne by a PE in Pakistan of a non-resident person
- It will be foreign source income if it is used for the purposes of a business carried on outside Pakistan through a PE.

2. GEOGRAPHICAL SOURCE OF INCOME (SECTION.101) [3/6]

F. ROYALTY

- A royalty shall be Pakistan-source income if it is:
 - Paid by a resident person; or
 - Borne by a PE in Pakistan of a non-resident person.
- Royalty will be foreign source if the benefits of royalty are used for the purposes of a business carried on outside Pakistan through a PE.

G. RENTAL INCOME

- Rental income from immovable property situated in Pakistan will be Pakistan source income

2. GEOGRAPHICAL SOURCE OF INCOME (SECTION.101) [4/6]

H. PENSION OR ANNUITY

Pension or annuity shall be Pakistan-source income if

- It is paid by a resident; or
- Borne by a permanent establishment in Pakistan of a non-resident person.

I. TECHNICAL FEE

- Technical fee shall be Pakistan-source income if it is:
 - Paid by a resident person; or
 - Borne by a PE in Pakistan of a non-resident person
- Technical fee shall be Foreign source income if It is payable in respect of services utilized in a business carried on outside Pakistan through a PE.

2. GEOGRAPHICAL SOURCE OF INCOME (SECTION.101) [5/6]

J. OFFSHORE DIGITAL SERVICES

- Fee for offshore digital services shall be Pakistan-source income if it is:
 - Paid by a resident person; or
 - Borne by a PE in Pakistan of a non-resident person
- Fee shall be Foreign source income if It is payable in respect of services utilized in a business carried on outside Pakistan through a PE.

K. GAIN ON DISPOSAL OF SHARES

Any gain arising on the disposal of shares in a resident company shall be Pakistan-source income

2. GEOGRAPHICAL SOURCE OF INCOME (SECTION.101) [6/6]

L. INSURANCE OR REINSURANCE PREMIUM

Any amount paid on account of insurance or re-insurance premium by an insurance company to an overseas insurance or re-insurance company shall be deemed to be Pakistan source income.

M. AMOUNTS PAID BY RESIDENT PERSON

Any amount not mentioned in preceding points shall be Pakistan-source income if it is paid by a resident person or borne by a permanent establishment in Pakistan of a non-resident person.

3. TAXATION

[1/2]

A. RESIDENT

A resident Person is required to pay tax on his world income [S.11(5)]

B. SHORT TERM RESIDENT (SECTION 50)

- Short term resident is a person:
 - Who is a resident individual solely by reason of his employment; and
 - Who is present in Pakistan for a period or periods not exceeding three years
- Foreign source income, which is not brought into or received in Pakistan, of a short-term resident shall be exempt from tax in Pakistan.

3. TAXATION

[2/2]

C. RETURNING EXPATRIATES [SECTION 51(1)]

- A returning expatriate is a citizen of Pakistan who was not a resident in any four tax years preceding the tax year in which the he became a resident.
- Any foreign source income derived by a returning expatriate will be exempt in his first two years of residence.

D. EXPATRIATES [SECTION 51(2)]

- Salary income earned outside Pakistan during a year by a citizen leaving Pakistan and remaining abroad during the year will be exempt.

E. NON-RESIDENT

- A Non-resident Person is required to pay tax on his Pakistan source income only [S.11(6)].

4. FILING REQUIREMENTS

[1/3]

Residential Status	Assets in/outside Pakistan	Pakistan Source Income?	Documents to be filed	Section reference
Resident	In	No	Wealth Statement and Return of Income	Section 114 and 116
Resident	Out	No	Wealth Statement and Return of Income	Section 114 and 116
Resident	No assets	No	Wealth Statement and Return of Income	Section 114 and 116
Resident	In	Yes	Wealth Statement and Return of Income	Section 114 and 116
Resident	Out	Yes	Wealth Statement and Return of Income	Section 114 and 116
Resident	No assets	Yes	Wealth Statement and Return of Income	Section 114 and 116
Non-Resident	In	No	Nothing	Section 114 and 116
Non-Resident	Out	No	Nothing	Section 114 and 116
Non-Resident	No assets	No	Nothing	Section 114 and 116
Non-Resident	In	Yes	Only Return of Income	Section 114 and 116
Non-Resident	Out	Yes	Only Return of Income	Section 114 and 116
Non-Resident	No assets	Yes	Only Return of Income	Section 114 and 116

- Moreover, a resident person is also required to file foreign income and assets statement under section 116A if he has earned foreign income equal to or more than USD 10,000 in a tax year or has foreign assets equal to or more than USD 100,000.**

4. FILING REQUIREMENTS

[2/3]

A. RETURN OF INCOME (SECTION 114 AND 115)

- A Non-resident person is required to file return of income only if he has Pakistan source income

B. WEALTH STATEMENT (SECTION 116)

- A non-resident person is not required to file wealth statement
- If a non-resident person opts to file wealth statement, he will be required to declare world assets as the statement, if filed, needs to be complete in our opinion.

4. FILING REQUIREMENTS

[3/3]

C. FOREIGN ASSETS STATEMENT (SECTION 116A)

- A non-resident person is not required to file Foreign Assets Statement
- The statement is required to be filed by a resident individual having:
 - Foreign Income not less than USD 10,000; or
 - Foreign Assets valuing not less than USD 100,000



THANK YOU!

