

# ASSESSMENT OF INDIVIDUAL SALARIED PERSONS 2018

## RATES OF INCOME TAX AND SEPARATE BLOCK OF INCOME FOR SALARIED PERSONS

As it has already been explained in theory chapters if the salary income of the person is more than fifty percent of his taxable income, he will be a salaried person. For tax year 2018, income from certain sources is treated as a separate block/under final tax regime. Such income is not to be included in taxable income. It is charged to tax at specific rates irrespective of nature and quantum of other income. The income which constitute a separate block/final tax regime the rate at which tax is payable on such income is given below:

### 1. **BLOCK OF INCOME UNDER FTR**

#### **a) Rate of dividend taxation**

With effect from tax year 2018 the rates of tax on dividend received from a company shall be as follows

(i)	If the dividend is declared by a power project purchased from WAPDA or from a company supplying coal to power generation project	7.5 %
(ii)	Divided received from a stock fund	12.5 %
(iii)	In all other cases (if recipient is filer)	15%
(iv)	In all other cases (if recipient is non filer)	20 %

**Note:-** This will be final tax on dividend.

- |    |   |                        |
|----|---|------------------------|
| b) | Royalty payment to non-resident   | 15% of payment         |
| c) | Income by way of prize on prize bonds or crossword puzzle (for filer)   | 15% such prize         |
| d) | Income by way of prize on prize bonds or crossword puzzle (for non-filer)   | 25% of such prize      |
| e) | Income from winning a lottery or quizz  | 20 % of such winning   |
| f) | Flying allowance received from Pakistan Armed Forces, PIA or Civil Aviation Authority and Submarine Allowance received by the officers of Pakistan Navy | 2.5% of such allowance |
| g) | Tax on profit @ 10 % if the gross yield of profit on debt is upto Rs. 50,00,000 in the following cases:   |                        |
|    | i) National saving scheme or Post Office Saving Accounts.   |                        |
|    | ii) A Banking Company or Financial Institutions.  |                        |
|    | iii) The Federal Government, A provincial Govt. or a local authority.   |                        |
|    | iv) Finance society or any other company as defined in the ordinance.   |                        |
| h) | (i) Where the profit on debts exceeds Rs. 50,00,000 but does not exceed Rs. 2,50,00,000 the rate of tax will be 12.5 %                                  |                        |
|    | (ii) where the profit on debt exceeds 2,50,00,000 the rate of tax will be 15%   |                        |

**Note:** This will be final tax on profit on debt.

- (i) **Rate of taxation of property income for individuals and Association of persons is as follows:**

S.No.	Gross amount of Rent	Tax Deduction
1.	Where the rent does not exceed Rs. 200,000	Nil
2.	Where rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 200,000
3.	Where rent Exceeds Rs. 600,000 but does not exceed Rs. 10,00,000	Rs. 20,000+ 10% of the amount exceeding Rs. 600,000
4.	Where the rent exceeds 10,00,000 but does not exceeds Rs. 20,00,000	Rs. 60,000 + 15 % of the amount exceeding Rs. 10,00,000
5.	Where the rent exceeds Rs. 20,00,000	Rs. 210,000+ 20% of the amount exceeding Rs. 20,00,000

### Notes

1. The above rates also apply for the purpose of with holding of tax from rent of immovable property.

2. The rate of tax in case of company is 15 % for filer and 17.5 % for non-filer.

## 2. INCOME UNDER SEPARATE BLOCK

i) For the tax year 2018, capital gain on sale of securities will be taxed at the following rates:

	Filer	Non-filer
(A) Where the securities were acquired before 01.07.2013.	0 %	0%
(B) Where the securities were acquired Between 01.02013 to 30.06.2016:		
(i) Where holding period is upto 12 month	15 %	18%
(ii) Where holding period is more than 12 months but less than 24 months	12.5 %	16%
(iii) Where holding period is more than 24 months	7.5%	11%
(C) Where securities were acquired after 01.07.2016		
(i) In all Cases	15%	20%
(ii) Future commodity contracts	5%	5%

ii) On Gain of disposal of immovable property the rate of tax under Section 37(IA) will be as follows:

Rate of Tax

(A) For immovable property acquired before 01.07.2016:

- i) For immovable property allotted to dependent of a shaheed of Pakistan Armed Forces  
Irrespective of holding period 0 %
- ii) The holding period is upto 3 years 5%
- iii) The holding period is more than 3 years 0%

(B) The immovable property is acquired on after 01.07.2016:

- a. The holding period is upto one year 10%
- b. The holding period is more than one year but less than 2 years 7.5%
- c. The holding period is more than 2 years but less than 3 years 5 %
- d. The holding period is more then 3 years 0 %

**Note:** The rate of tax will be reduced by 50% in case of original allottees are serving or retired employees of government.

iii) Golden handshake @ average rate of last 2 or 3 years.

(iv) Income from rendering or providing services are taxed as separate block @ 10 % for filer and 17.5 % for non filer of the gross amount payable in case of all taxpayers, other than Company.

Apart from the separate block of income the rates of which have been given above, the rates for remaining income will be as follows:

- (a) No income tax will be payable if the individual is a salaried person( salary income more the fifty percent of taxable income) and his taxable income is upto Rs. 400,000.
- (b) Where the taxable income is more than the above mentioned limits following rates of tax are applicable.

### 3 Rates of tax for salaried person for tax year 2018

S.#	Slabs	Rate of Tax
1	Where the taxable income does not exceed Rs. 4,00,000	Nil
2	Where the taxable income exceeds Rs.4,00,000 but does not exceed Rs.5,00,000	2% of the amount exceeding Rs. 4,00,000

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3	Where the taxable income exceeds Rs.500,000 but does not exceed Rs. 7,50,000	Rs.2,000+5% of the amount exceeding Rs.5,00,000
4	Where the taxable income exceeds Rs.7,50,000 but does not exceed Rs. 14,00,000	Rs. 14,500+10% of the amount exceeding Rs.7,50,000
5	Where the taxable income exceeds Rs.14,00,000 but does not exceed Rs. 15,00,000	Rs.79,500 +12.5% of the amount exceeding Rs.14,00,000
6	Where the taxable income exceeds Rs. 15,00,000 but does not exceed Rs.18,00,000	Rs.92,000+15% of the amount exceeding Rs.15,00,000
7	Where the taxable income exceeds Rs. 18,00,000 but does not exceed Rs. 25,00,000	Rs.1,37,000+17.5% of the amount exceeding Rs.18,00,000
8	Where the taxable income exceeds Rs. 25,00,000 but does not exceed Rs. 30,00,000	Rs.2,59,500+20% of the amount exceeding Rs25,00,000
9	Where the taxable income exceeds Rs. 30,00,000 but does not exceed Rs. 35,00,000	Rs.3,59,500+22.5% of the amount exceeding Rs30,00,000
10	Where the taxable income exceeds Rs. 35,00,000 but does not exceed Rs. 40,00,000	Rs.4,72,000+25% of the amount exceeding Rs35,00,000
11	Where the taxable income exceeds Rs. 40,00,000 but does not exceed Rs. 70,00,000	Rs.5,97,000+27.5% of the amount exceeding Rs40,00,000
12	Where the taxable income exceeds Rs. 70,00,000	Rs.14,22,000+30% of the amount exceeding Rs70,00,000

## 4. Senior citizen allowance or rebate for a disabled person

Tax liability of an individual shall be reduced by 50% where the taxable income does not exceed Rs. 10,00,000 excluding income under final tax regimes, such as dividend income prizes and winnings, interest income etc) in one of the following cases

- Disabled person holding CNIC or
- Senior citizen Age of the taxpayer is 60 years or more on the first day of relevant tax year.

## 5. Incentive to full time Teacher and Researches

An incentive has been provided to full-time teachers and researchers employed in a non-profit education or research institution. The institution should be recognized by a Board of Education or a University or the Higher Education Commission.

This concession is also available to the teachers and researchers working in government training and research institutes.

The tax liability of the teacher or researcher employed as above will be reduced by an amount equal to 40% relief of tax payable on his income from salary.

### Explanation

Full time teacher means a person employed purely for teaching and not performing any administrative or managerial jobs e.g. principals, Headmasters, Directors, Vice-chancellors, Chairmen, Controllers etc.

6. If the Income of person other than banking company, having income equal to or exceeding Rs. 500 million super Tax @ 3 % of such Income shall be payable.
7. Tax Credits will be allowed in case of Donations, share purchased, Sukuks offered by public company, Approved pension scheme , Life insurance premium paid and Investment in Health Insurance.
8. Credit of tax deducted at source will be provided.

# **ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS**

## **RATES OF INCOME TAX FOR OTHER THAN SALARIED PERSONS FOR TAX YEAR 2018**

**Note.** These rates are applicable to those individuals:

- (i) who do not derive any income under section 12, or
- (ii) where the income under section 12 is being derived but it is fifty per cent or less of total income.

For tax year 2018, income from certain sources is treated as a separate block/final tax regime including income from property capital gain on securities and immovable property. Such income is not to be included in taxable income. It is charged to tax at specific rates irrespective of nature and quantum of other income. The income which constitute a separate block /final tax regime of income and the rate at which tax is payable on such income is given below:

### **TAX YEAR 2018**

#### **1. BLOCK OF INCOME UNDER FTR**

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|-------|--|--------|
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- g) Tax on profit @ 10 % if the gross yield of profit on debt is upto Rs. 50,00,000 in the following cases:
- i) National saving scheme or Post Office Saving Accounts.
  - ii) A Banking Company or Financial Institutions.
  - iii) The Federal Government, A provincial Govt. or a local authority.
  - iv) Finance society or any other company as defined in the ordinance.
- h) (i) Where the profit on debts exceeds Rs. 50,00,000 but does not exceed Rs. 2,50,00,000 the rate of tax will be 12.5 %
- (ii) where the profit on debt exceeds 2,50,00,000 the rate of tax will be 15%

**Note:** This will be final tax on profit on debt.

- (i) Rate of taxation of property income for individuals and Association of persons is as follows:**

# ASSESSMENT OF INDIVIDUAL NON-SALARIED PERSONS

S.No.	Gross amount of Rent	Tax Deduction
1.	Where the rent does not exceed Rs. 200,000	Nil
2.	Where rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 200,000
3.	Where rent Exceeds Rs. 600,000 but does not exceed Rs. 10,00,000	Rs. 20,000+ 10% of the amount exceeding Rs. 600,000
4.	Where the rent exceeds 10,00,000 but does not exceeds Rs. 20,00,000	Rs. 60,000 + 15 % of the amount exceeding Rs. 10,00,000
5.	Where the rent exceeds Rs. 20,00,000	Rs. 210,000+ 20% of the amount exceeding Rs. 20,00,000

## Notes

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Irrespective of holding period
- ii) The holding period is upto 3 years 5%
- iii) The holding period is more than 3 years 0%
- (B) The immovable property is acquired on after 01.07.2016
  - a. The holding period is upto one year 10%
  - b. The holding period is more than one year but less than 2 years 7.5%
  - c. The holding period is more than 2 years but less than 3 years 5 %
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**Note:** The rate of tax will be reduced by 50% in case of original allottees are serving or retired employees of government.

iii) Golden handshake @ average rate of last 2 or 3 years.

(iv) Income from rendering or providing services are taxed as separate block @ 10 % for filer and 17.5 % for non filer of the gross amount payable in case of all taxpayers, other than Company.

**4. In case of an individual (non-salaried person whose salary income is equal to or less than 50% of taxable income) and AOP, the following slab rates are applicable:**

S. No.	Slabs	Rate of Tax
1	Where the taxable income does not exceed Rs. 4,00,000	0%
2	Where the taxable income exceeds Rs.4,00,000 but does not exceed Rs.5,00,000	7% of the amount exceeding Rs. 4,00,000
3	Where the taxable income exceeds Rs.500,000 but does not exceed Rs. 7,50,000	Rs.7,000+10% of the amount exceeding Rs.500,000
4	Where the taxable income exceeds Rs.7,50,000 but does not exceed Rs. 15,00,000	Rs. 32,000+15% of the amount exceeding Rs.7,50,000
5	Where the taxable income exceeds Rs.15,00,000 but does not exceed Rs. 25,00,000	Rs.1,44,500 +20% of the amount exceeding Rs.15,00,000
6	Where the taxable income exceeds Rs.	Rs.3,44,500+25% of the

	25,00,000 but does not exceed Rs. 40,00,000	amount exceeding Rs.25,00,000
7	Where the taxable income exceeds Rs. 40,00,000 but does not exceed Rs. 60,00,000	Rs.719,500+30% of the amount exceeding Rs.40,00,000
8	Where the taxable income exceeds Rs. 60,00,000	Rs.13,19,500+35% of the amount exceeding Rs.60,00,000

For professional firm prohibited from incorporation the slab 8A shall be read as follows:

8(a)	Where the taxable income exceeds Rs. 60,00,000	Rs.13,19,500+32% of the amount exceeding Rs.60,00,000
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5. A tax rebate of 50% of tax payable shall be given if the total income of a person (excluding income on which deduction of tax is final) does not exceed Rs. 10,00,000 and he is registered in NADRA's computerized card as a disabled person.

If the taxpayer is a senior citizen (aged 60 years or above) and his taxable income other than income on which the deduction of tax is final is upto Rs. 10,00,000 a special tax rebate (STR) will be provided @ 50% of tax payable.

- 6) Average relief will be allowed in case of donations, share purchased, approved pension scheme and life insurance premium paid and health Insurance premium.

- 7) Credit of tax deducted at source will be provided.

- 8) Super tax for tax year 2015 , and 2016-2017 has been imposed on the income of persons for the rehabilitation of temporarily displaced persons. The rate of tax shall be 4% for all banking companies and 3% for other persons provided their income is Rs. 500 million or above.

For the purpose of imposing super tax on the above two categories, the income shall be calculated by adding the following three kind of revenues.

- Profit on debts, dividend, capital gains, brokerage and commission.
  - Taxable income under normal tax structure.
  - Imputable income as defined under section 2(28A)
- All other provisions of the law will be remain the same.

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