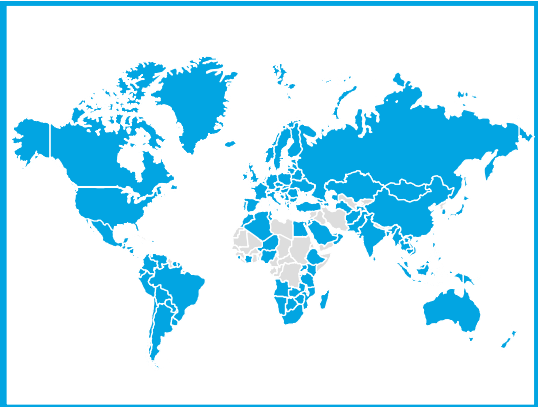


INPATRIATES

Pakistan

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

Inpatriates taking up employment in Pakistan are required to follow the tax rules and procedures including employment visa requirements. The inpatriate tax liability is determined based on residency status as well as the nature and source of income.

The Pakistan 'Tax Year' generally starts from July 1 and ends on June 30 each year for the computation and determination of taxable income and tax liability thereon. An individual is required to file the tax return by September 30, i.e. within three months of the tax year close. Every resident individual is also required to file a wealth statement and wealth reconciliation statement along with return of income.

Total income of an individual can be charged to tax under Salary, Income from property, Income from business, Capital gains, or Income from other sources.

The total income chargeable to tax under the Ordinance is determined with reference to the residential status of the individual as follows:

- A resident person is chargeable to tax in Pakistan for both Pakistan source income and foreign source income.
- A non-resident is chargeable to tax in Pakistan only to the extent of Pakistan source income.

An individual is considered to be a resident in respect of a Tax Year if his aggregate stay in Pakistan is 183 days or more during that tax year; or he is an employee or official of the Federal Government or a Provincial Government, posted abroad in the Tax Year.

Further, the citizen of Pakistan who is not present in any other country for 182 days during the tax year or who is not a tax resident of any other country.

If an individual, due to his employment becomes resident in Pakistan and his presence in Pakistan is for a period or periods not exceeding three

years, his foreign income will not be taxed unless this income is derived from a business established in Pakistan or it is brought into or received in Pakistan.

Foreign source income of a resident (who is a citizen of Pakistan but was not resident in any of the four tax years preceding the tax year in which he became resident) shall be exempt from tax for two years. That is to say, in respect of the tax year in which he became resident and the next following tax year.

Any foreign source salary received by a resident individual is exempt from tax if the individual has paid foreign income tax in respect of the salary. Any foreign source salary earned by an individual (who is a citizen of Pakistan) during the Tax Year in which he leaves Pakistan and remains abroad is exempt from tax.

Where a resident taxpayer derives foreign source income chargeable to tax under Income Tax Ordinance 2001 in respect of which the taxpayer has paid foreign income tax, the taxpayer shall be allowed a tax credit of an amount equal to the lesser of the foreign income tax paid or the Pakistan tax payable in respect of the income.

REGISTRATION/FORMALITIES

Every Individual is required to obtain registration with FBR and Taxpayer's Registration Certificate is required to be obtained. Obligations as a result of the registration are to file annual return of income and tax on income and wealth statement and wealth reconciliation statement.

Employers are required to deduct tax from the taxable salary paid on an annual average basis. The tax deducted while paying monthly salary is required to be deposited in the government treasury by the end of the week following the deduction of tax.



INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

Income tax rates

Where the income of an individual chargeable under the head “salary” exceeds fifty per cent of his taxable income, the rates of tax to be applied shall be as set out in the following table namely:

Amounts	Tax Rates
Where the taxable income does not exceed Rs. 600,000	0%
Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 20% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 405,000 + 25% of the amount exceeding Rs. 3,600,000
Where the taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000
Where the taxable income exceeds Rs. 12,000,000	Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000

The rate of tax imposed on the taxable income of every individual except salaried taxpayer shall be as set out in the following table, namely :

Amounts	Tax Rates
Where the taxable income does not exceed Rs. 600,000	0%
Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000
Where the taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000

Social security contribution

Employers are required to contribute towards social security, old age benefit and provident fund/gratuity fund as per the labor laws. In certain cases, employees are also required to contribute equally towards a provident fund established separately under the law.

For further information and to register for future updates contact expat@bdo.global

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