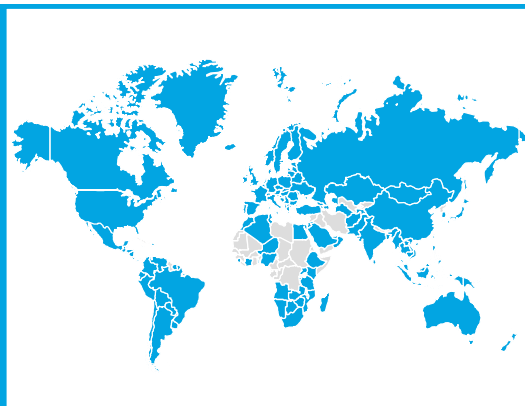


EXPATRIATES

Pakistan

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

An expatriate's tax liability is determined based on the taxpayer's residency status as well as the nature and source of income.

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.

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.

Pakistan Source Income includes:

- Income from a permanent establishment in Pakistan.
- Salaries received from any employment exercised in Pakistan, wherever paid or is paid by Federal Government, a Provincial Government, or a Local Government in Pakistan, wherever the employment is exercised.
- Dividend, Profit on debt, royalty, pension or annuity and technical fee if it paid by a resident person or born by a Permanent establishment in Pakistan of a non-resident person.
- Any gain arising on the disposal of shares in a resident company shall be Pakistan-source 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. A salaried individual is required to file the tax return by August 31 each year, i.e. within two months of the Tax Year close. Other Individuals are required to file the return of income 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.

If an individual changes his place of abode to one outside Pakistan, Pakistan tax residency may be lost; however the exact outcome will depend on the facts and circumstances of each case.

BREAKING RESIDENCY - EXIT PROCEDURES

Assessment of persons about to leave Pakistan:

Where a person is leaving Pakistan indefinitely, he is required to indicate it to the Commissioner and file a return of his total income at least fifteen days before the probable date of his departure.

Assessment in case of discontinued business:

Where a person discontinues his business, he is required to:

1. Give a notice to the Commissioner of such discontinuance within fifteen days from the discontinuance.
2. Furnish a return of his income for the period starting from the first day of the Tax Year and ending on the date of discontinuance of the business. This period shall be treated as a separate Tax Year.

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:

Tax rate	
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,500,000	5% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	Rs. 65,000 + 15% of the amount exceeding Rs. 2,500,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 8,000,000	Rs. 290,000 + 20% of the amount exceeding Rs. 4,000,000
Where the taxable income exceeds Rs. 8,000,000	Rs. 1,090,000 + 25% of the amount exceeding Rs. 8,000,000

Provided that where the taxable income exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees.

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

Tax rate	
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	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. 60,000 + 15% 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. 150,000 + 20% of the amount exceeding Rs. 3,000,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 5,000,000	Rs. 350,000 + 25% of the amount exceeding Rs. 4,000,000
Where the taxable income exceeds Rs. 5,000,000	600,000 + 29% of the amount exceeding Rs. 5,000,000

SOCIAL TAX RATES

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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