

Gazette of Pakistan

EXTRAORDINARY
PUBLISHED BY AUTHORITY

ISLAMABAD, SUNDAY, JANUARY 9, 1977

PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

Islamabad, the 9th January, 1977

The following Acts of Parliament received the assent of the President on the 9th January, 1977, and are hereby published for general information:—

ACT No. I OF 1977

An Act to provide for taxation of agricultural income and to give effect to other financial proposals of the Federal Government.

WHEREAS it is expedient to provide for taxation of agricultural income in the country on a uniform basis and to give effect to other financial proposals of the Federal Government:

It is hereby enacted as follows:

1. **Short title and commencement.** (1) This Act may be called the Finance (Supplementary) Act, 1977.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once, so however that income to which the Sixth Schedule applies, shall be liable to tax for the first time in any assessment for the year beginning on the first day of July, 1977.

2. **Amendment of Act XI of 1922.** The following amendments shall be made in the Income-tax Act, 1922 (XI of 1922), namely:—

(1) in section 2, in clause (1) in sub-clause (a)

(i) after the words "used for agricultural purposes" a full-stop shall be added, and

(ii) the words "and is either assessed to land revenue in Pakistan or subject to a local rate assessed and collected by officers of the Government as such:" shall be omitted;

(77)

Price: Ps. 1.00

- (2) in section 4, in sub-section (3), for clause (viii), the following shall be substituted, namely :—

“(viii) agricultural income subject to the following limits—

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| (a) where the total areas of land owned or cultivated by such person from which such income is derived does not exceed twenty-five acres of irrigated land or fifty acres of unirrigated land or irrigated and unirrigated land the aggregate of which does not exceed twenty-five acres of irrigated land. | The whole of such income. | * |
| (b) where the land owned or cultivated by such person from which such income is derived exceeds twenty-five acres of irrigated land or fifty acres of unirrigated land or irrigated and unirrigated land the aggregate of which exceeds twenty-five acres of irrigated land. | Nil. | |

Explanation (1).—For the purpose of this clause “irrigated land” means such land as is irrigated by a canal, tube-well, well, lift, spring, tank or any other artificial means of irrigation.

Explanation (2).—For the purposes of computation under this clause two acres of unirrigated land shall be reckoned as one acre of irrigated land.” ;

- (3) in section 10, after sub-section (9), the following new sub-section shall be inserted, namely :—

“(10) Notwithstanding anything to the contrary contained in the preceding sub-sections and section 24, the profits and gains from vocation of agriculture, hereinafter called the agricultural income, of any person, shall be computed and assessed in accordance with the rules contained in the Sixth Schedule.” ;

- (4) in section 18A, in sub-section (1)—

- (a) after the words “in the case of income” the words “other than income to which the Sixth Schedule applies and”, shall be added, and
 (b) the words “other than” shall be omitted ;

- (5) in section 22, in sub-section (1A),—

(a) the following clause shall be inserted—

“(i) in the case of a person the major portion of whose total income consists of income to which the Sixth Schedule applies, by the fifteenth day of December next following ;” and

(b) the existing clauses (i) and (ii) shall be renumbered as (ii) and (iii) respectively ;

(6) for section 22A the following shall be substituted, namely:—

“22A. Every person who is required to furnish a return under sub-section (1) of section 22 shall pay the amount of tax payable on the basis of the said return as reduced by the amount of any tax already deducted from his income under section 18 or paid by him under section 18A, in the following manner—

(a) where the major portion of total income consists of income to which the Sixth Schedule applies, 50% of such tax on the date on which he furnishes the return and the balance on 15th day of May next following.

(b) in other cases, on the date on which he furnishes the return.”;

(7) in section 23, after sub-section (6) the following new sub-sections (6A) and (6B) shall be added, namely:—

“(6A) Whenever there is included in the total income of any person determined under the provisions of this Act, any income to which the Sixth Schedule applies, the Income Tax Officer shall apportion the tax payable by such person in respect of such income and such tax shall be apportioned in the same proportion as such income bears to other income.

(6B) In cases to which Sixth Schedule applies and the assessee earns agricultural income in more than one province, the Income Tax Officer shall further apportion such tax in such shares as may correspond to the agricultural income earned by the assessee in each such province.”;

(8) after section 67B the following new section shall be added, namely:—

“68. The total tax apportioned to each province under sub-section (6A) and (6B) of section 23 shall on recovery be distributed to each such province.”; and

(9) after the Fifth Schedule, the following new Schedule shall be added, namely:—

“ THE SIXTH SCHEDULE

(See sub-section 10 of Section 10)

RULES FOR THE COMPUTATION OF AGRICULTURAL INCOME

1. Where any person has agricultural income such income shall be computed after making the following allowances, namely:

- (i) Any rent paid for the land used by him for agriculture;
- (ii) Any sum paid as interest on capital borrowed for agriculture;

- (iii) Any sum paid as premium for insurance against risk, damage or destruction of buildings, machinery, stocks and stores pertaining to agricultural operations :
- (iv) Any expenditure incurred on repairs of buildings, machinery and plant used for the purposes of earning agricultural income :
- (v) In respect of depreciation of such buildings, machinery, plant or furniture being the property of the assessee used for the purposes of earning agricultural income, other than buildings, machinery, plant or furniture in respect of which the assessee is entitled to depreciation under clause (vi) of sub-section (2) of section 10 of the Act, a sum equivalent to such percentage of the written down value thereof as may in any case or class of cases be prescribed :
- (vi) Any expenditure on purchase of such animals as are used for the purposes of agriculture, which have died or become permanently useless :
- (vii) Any sum paid on account of land revenue, local cesses, municipal taxes and rates in respect of the agricultural land :
- (viii) Any sum paid in cash or kind for labour for carrying out agricultural operations :
- (ix) Any expenditure incurred on the purchase of seed, fertilizer and pesticides :
- (x) Any sum paid as water rates or for purchase of water :
- (xi) Any expenditure incurred on hiring animals, tractors and agricultural implements used for earning agricultural income :
- (xii) Any expenditure incurred on repairs and maintenance of water courses :
- (xiii) Any expenditure incurred on harvesting and marketing of the agricultural produce : and
- (xiv) Any other expenditure not being in the nature of the capital expenditure or personal expenses of the assessee, laid out or expended wholly and exclusively for the purposes of agriculture.

2. Cost on tractors, agricultural machinery and implements, tubewells and investment in levelling and development of land being the property of the assessee and used by him for the purposes of agriculture, shall be allowed as deduction from agricultural income of the year in which they are purchased for use.

3. Where any deduction under paragraph 2 together with allowances under sub-paragraphs (v) and (vi) of paragraph 1 cannot be made in full in any year owing to there being no agricultural income chargeable for that year or such income being less than the allowance, the allowance or part of the allowance to which effect cannot be given, shall be carried forward and added to such allowance for the following year."

3. Income-tax and super-tax.—(1) Subject to the provisions of sub-sections (2), (3), (4) and (5), in making any assessment for the year beginning on the first day of July, 1977,—

- (a) Income-tax shall be charged at the rates specified in Part I of the Schedule ; and

- (b) the rules of super-tax shall, for the purposes of section 55 of the Income-tax Act, 1922 (XI of 1922), be those specified in Part II of the Schedule.

(2) In making any assessment for the year beginning on the first day of July, 1977, where the total income of a company includes any profits and gains from the life insurance business, super-tax payable by the company shall be reduced by an amount equal to 12.5 per cent of that part of its total income which consists of such inclusion.

(3) In making any assessment for the year beginning on the first day of July, 1977, where the assessee is a cooperative society, the tax shall be payable at the rates specified in paragraph A of Part I, or paragraph B of Part I and paragraph A of Part II of the Schedule as if the assessee were a company to which the proviso to paragraph A of the said Part II applied, whichever treatment is more beneficial to the assessee.

(4) (a) In making any assessment for the year beginning on the first day of July, 1977, where the total income of an assessee includes any profits and gains derived from export of goods manufactured in Pakistan, income-tax and super-tax, if any, payable in respect of such profits and gains shall, subject to the provisions of clauses (b), (c) and (d), be reduced by an amount equal to fifty per cent of the income-tax and super-tax, if any, attributable to sale proceeds of such goods:

Provided that in the case of a registered firm, super-tax payable by it under paragraph C of Part II of the Schedule shall be reduced under this clause by so much of such amount calculated on the basis of the income-tax payable on its total income under paragraph A of Part I as if it were the total income of an unregistered firm as does not exceed the said super-tax.

(b) Nothing in clause (a) shall apply to a company which has not made such effective arrangements as may be prescribed by the Central Board of Revenue for declaration and payment in Pakistan of dividends payable out of its profits and gains liable to tax under the Income-tax Act, 1922 (XI of 1922), and for the deduction of tax from such dividends.

(c) Nothing contained in clauses (a) and (b) shall apply in respect of the following goods or class of goods, namely:—

(i) raw cotton; and

(ii) such other goods as may be notified by the Central Board of Revenue from time to time.

(d) The Central Board of Revenue may make rules providing for the computation of profits and the tax attributable to export sales and for such other matters as may be necessary to give effect to the provisions of this sub-section.

(5) In cases to which section 17 of the said Act applies, the tax chargeable shall be determined as provided in that section, but with reference to the rates referred to in sub-section (1).

(6) For the purposes of making deduction of tax under section 18, of the said Act, the rates specified in Part I and Part II of the Schedule shall apply as respects the year beginning on the first day of July, 1977, and ending on the thirtieth day of June, 1978.

(7) For the purposes of this section and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the said Act; and the expression "public company" means a company—

- (i) in which not less than fifty per cent of the shares are held by the Government; or
- (ii) whose shares were the subject of dealings in a registered stock exchange in Pakistan at any time during the previous year and remained listed on the stock exchange till the close of that year.

4. **Repeal.**—The Finance (Supplementary) Ordinance, 1977 (III of 1977), is hereby repealed.

THE SCHEDULE

(See section 3)

PART I

RATES OF INCOME TAX

A. In the case of every individual, unregistered firm, an association of persons, Hindu undivided family and every artificial juridical person referred to in clause (9) of section 2 of the Income-tax Act, 1922 (XI of 1922), not being a case to which paragraph B of this part applies—

1. Where the taxable income does not exceed 10%
Rs. 5,000.
2. Where the taxable income exceeds Rs. 5,000 but does not exceed Rs. 10,000. Rs. 500 + 20% of the amount exceeding Rs. 5,000.
3. Where the taxable income exceeds Rs. 10,000 but does not exceed Rs. 20,000. Rs. 1,500 + 30% of the amount exceeding Rs. 10,000.
4. Where the taxable income exceeds Rs. 20,000 but does not exceed Rs. 30,000. Rs. 4,500 + 40% of the amount exceeding Rs. 20,000.
5. Where the taxable income exceeds Rs. 30,000. Rs. 8,500 + 50% of the amount exceeding Rs. 30,000;

Provided that—

- (i) no income-tax shall be payable on a total income which before deduction of the sums, if any, exempt under the first and third proviso to sub-section (1) of section 7, section 15, section 15A, section 15AA, section 15C, section 15CC, section 15CCC, section 15D, section 15E, section 15H, section 15HH, section 58F and section 58W of the Income-tax Act, 1922 (XI of 1922), does not exceed Rs. 12,000;
- (ii) where the total income of an assessee exceeds Rs. 12,000 but does not exceed Rs. 15,000, the income-tax payable shall not exceed fifty per cent of the amount by which the total income exceeds Rs. 12,000;
- (iii) where the total income includes any income from a share of the income, profits and gains of a firm to which paragraph C of Part II applies, such portion of the super-tax payable under the said paragraph as bears to the total amount of such super-tax the same proportion as his share of income, profits and gains of the firm bears to the total income of the firm shall be added to the income-tax payable by such partner under this paragraph and, if the sum so arrived at

exceeds fifty per cent of the total income of such partner (including his share of income, profits and gains of the firm), the amount of income-tax payable by him under this paragraph shall be reduced by the amount of such excess.

Explanation. -The expression "taxable income", as used in this paragraph, means-

- (a) in the case of an assessee to whom or to which clause (a) of subsection (1) of section 17 of the Income-tax Act, 1922 (XI of 1922), applies, the total income;
- (b) in any other case, the total income of an assessee as diminished by the allowance admissible under the first and third provisos to subsection (1) of section 7, section 15, section 15A, section 15AA, section 15C, section 15CC, section 15CCC, section 15D, section 15F, section 15H, section 15HH, section 58F and section 58W of the Income-tax Act, 1922 (XI of 1922).
- B. In the case of every local authority and in every case in which, under the provisions of the Income-tax Act, 1922 (XI of 1922), income tax is to be charged at the maximum rate. 30 per cent of the total amount.
- C. In the case of every company, being a public company or a foreign association declared to be a company by the Central Board of Revenue under clause (5A) of section 2 of the Income-tax Act, 1922 (XI of 1922), on the total income excluding such part of the total income as consists of any dividends or bonus or bonus shares to which sub-paragraph (3) or sub-paragraph (4) of paragraph A of Part II applies. 30 per cent of such income.
- D. In the case of every other company, on the total income excluding such part thereof as consists of any bonus or bonus shares to which sub-paragraph (4) of paragraph A of Part II applies. 30 per cent of such income.

PART II

RATES OF SUPER TAX

Rates

- A. In the case of a company,—
- (1) on the total income, excluding such part of the total income as consists of dividends or bonus or bonus shares to which sub-paragraphs (3) and (4) apply, where such company is a company to which paragraph C of Part I applies. 35 per cent of such income in the case of a banking company and 20 per cent of such income in the case of a company other than a banking company;
- (2) on the total income excluding such part of the total income as consists of bonus or bonus shares to which sub-paragraph (4) applies where such company is a company to which sub-paragraph (1) does not apply. 35 per cent of such income in the case of a banking company and 20 per cent of such income in the case of a company other than a banking company.

arrangements as may be prescribed by the Central Board of Revenue in this behalf for the declaration and payment in Pakistan of dividends payable out of such profits and gains and for the deduction of tax from such dividends, rebates shall be allowed as follows:

- (i) a rebate of 5 per cent to such company not being a banking company if it is a public company;
- (ii) a rebate of 5 per cent to such company not being a banking company if it is a public company to which clause (iii) does not apply, if its paid-up capital plus free reserves as on the last day of the previous year does not exceed Rs. 5,00,000;
- (iii) a rebate of 5 per cent on so much of the income, profits and gains of such company, being a public company, as are derived by it from an industrial undertaking if its paid-up capital plus free reserves as on the last day of the previous year does not exceed Rs. 10,00,000;
- (iv) a rebate of 5 per cent on so much of the income, profits and gains of such company, as are derived by it from an industrial undertaking commencing commercial production at any time between the first day of July, 1975 and the thirtieth day of June, 1980 (both dates inclusive) if the original cost of fixed assets (excluding the cost of land) owned by the company and used by the undertaking does not exceed Rs. 30,00,000, so however that no rebate under clauses (ii) and (iii) shall be allowed to such company;
- (v) a rebate of 10 per cent to such company in respect of its income, profits and gains to which sub-section (9) of section 10 of the Income-tax Act, 1922 (XI of 1922), applies or which are derived by it in Pakistan from processing, freezing, preserving and canning of food, vegetable, fruit, grain, meat, fish and poultry;
- (vi) a rebate of 15 per cent to such company on so much of the income, profits and gains accruing or arising outside Pakistan to which sub-section (4) of section 3 does not apply as are brought by it in Pakistan.

Explanation.—The term “industrial undertaking”, as used in clause (iii) means an undertaking which is set up or commenced in Pakistan on or after the 14th day of August, 1947, and which employs (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal agency or (ii) twenty or more persons in Pakistan and does not involve the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal agency and which is—

- (i) engaged in—
 - (a) the manufacture of goods or materials or the subjection of goods or materials to any process, which substantially changes their original condition;
 - (b) ship-building;
 - (c) generation, transformation, conversion, transmission or distribution of electrical energy, or the supply of hydraulic power;

(d) the working of any mine, oil-well or other source of mineral deposits not being an undertaking to which the Second and Third Schedules to the Income-tax Act, 1922 (XI of 1922), apply; or

(ii) any other industrial undertaking which may be approved by the Central Board of Revenue for the purpose of this clause.

(3) to which paragraph C of Part I applies, on the amount representing income from dividends from a company having its registered office in Pakistan—

Rates

(a) where such dividends are received by a public company and are declared and paid by a company formed and registered in Pakistan under the Companies Act, 1913 (VII of 1913), or a body corporate formed in pursuance of a law within the legislative competence of Parliament in respect of the share capital issued, subscribed and paid after the fourteenth day of August, 1947.

10 per cent of such amount.

(b) in other cases.

15 per cent of such amount.

(4) on the whole of the amount representing the face value of any bonus shares or the amount of any bonus issued by the company to its share-holders with a view to increasing its paid-up capital—

Rates

(a) where a company which issued shares or bonus, as the case may be, is a public company.

10 per cent of such amount.

(b) in other cases.

15 per cent of such amount.

B. In the case of every local authority on the whole of the total income.

12.5 per cent of the total income.

C. In the case of every registered firm—

(1) where the total income does not exceed Rs. 15,000.

Nil.

(2) where the total income exceeds Rs. 15,000 but does not exceed Rs. 30,000.

5 per cent of the amount exceeding Rs. 15,000.

(3) where the total income exceeds Rs. 30,000 but does not exceed Rs. 60,000.

Rs. 750 plus 10 per cent of the amount exceeding Rs. 30,000.

(4) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000.

Rs. 3,750 plus 20 per cent of the amount exceeding Rs. 60,000.

(5) where the total income exceeds Rs. 1,00,000.

Rs. 11,750 plus 30 per cent of the amount exceeding Rs. 1,00,000.

Explanation.—The term “registered firm” as used in this paragraph means a firm registered under section 26A of the Income-tax Act, 1922 (XI of 1922), or a firm treated as a registered firm under clause (b) of sub-section (5) of section 23 of the said Act.