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C.No.1(16)WHT/2011.

Islamabad, July 21, 2011.

CIRCULAR NO.08/2011
(INCOME TAX)

SUBJECT: CLARIFICATION OF CLAUSE (45A) OF PART-IV OF SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

In suppression of earlier clarifications issued to explain various provisions of clause (45A) inserted in Part-IV of Second Schedule to the Income Tax Ordinance 2001, through SRO 333(I)/2011 dated 2nd May 2011, and application of the said SRO, following clarifications are made:

| SNo. | Issue / Query | Clarification |
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| 1. | Whether to claim the benefits under sub-clause (b) of clause (45A) of Part-IV of Second Schedule to the Income Tax Ordinance 2001, a single transaction with the category of taxpayers of sales tax zero rate sectors shall be a sufficient proof? | <p>A single transaction by sellers / suppliers or service providers to five categories of specified Sales Tax Zero Rated sectors, is NOT sufficient to avail the benefits provided under clause (45A) of Part-IV of Second Schedule to the Ordinance.</p> <p>The benefits provided under the said clause are only available to exclusive and bonafide sellers / suppliers or service providers, who regularly made sales / supplies or provide services to specified five categories of Sales Tax Zero Rated sectors in a tax year.</p> |
| 2. | Whether any amount credited by such persons in their books of accounts prior to issuance of SRO 333 of 2011 shall be exempt from the provisions of section 111(1) (a) of the Income Tax Ordinance 2001? | <p>Sub-clause (b) of clause (45A) provides exemption to eligible and exclusive and bonafide sellers, suppliers or service providers of five categories of specified Sales Tax Zero Rated sectors, from the provisions of clause (a) of sub-section (1) of section 111 of the Ordinance. Hence such eligible sellers / suppliers or service providers can avail exemption in respect of any amount credited in their books of accounts between 2nd May 2011 (date of issuance of SRO 333) and 30th June 2011 (ending date of the tax year 2011), provided that tax has been withheld on these amounts @ 1%.</p> |

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| | | <p>Since the scope of this benefit is limited to exemption from provisions of section 111(1)(a) only, therefore exemption from provisions of section 111(1)(b) and 111(1)(c) is not admissible. The said exemption is also limited to the amounts of transactions made by the sellers, suppliers and service providers eligible under clause (45A) on which tax has been withheld @ 1%. Hence the transactions which are appearing in books of accounts for the periods prior to 2nd May 2011 or after 30th June 2011 are <u>not exempt</u> under SRO 333(I) of 2011.</p> |
| 3. | <p>During the period July-2010 to June 2011 a supplier supplies good worth Rs.100,000/- to any taxpayer specified in the 5 categories and receive payment Rs.99,000/- after tax deduction of 1% under section 153(1)(a). Said supplier credited a sum of Rs.100,000,000/- in his books of account as income exempt under clause 45A.</p> | <p>Clause (45A) of Part-IV of Second Schedule to the Income Tax Ordinance 2001, inserted through SRO 333(I)/2011 Dated 2nd May 2011 <u>does not allow exemption</u> to Rs.100,000,000/- credited in the books of accounts (for the period ending 30th June 2011) by a supplier of goods to 5 categories specified in Sales Tax Zero Rating Regime.</p> <p>Exemption shall only be available in relation to the quantum of transactions of supplies made during the period 02 May 2011 and 30th June 2011.</p> |
| 4. | <p>During the period May 02, 2011 to June 30, 2011 a service provider render services worth Rs.50,000/- to any taxpayer specified in the 5 categories and receive payment Rs.49,500/- after tax deduction of 1% under section 153(1)(b). Said service credited a sum of Rs.50,000,000/- in his books of account as income exempt under clause 45A.</p> | <p>Clause (45A) of Part-IV of Second Schedule to the Income Tax Ordinance 2001, inserted through SRO 333(I)/2011 dated 2nd May 2011 <u>does not allow exemption</u> to Rs.50,000,000/- credited in the books of accounts (for the period ending 30th June 2011) by a supplier of goods to 5 categories specified in Sales Tax Zero Rating Regime.</p> <p>Exemption shall only be allowed to Rs.50,000/- received by such provider of services, and in respect of which he can offer explanation about the nature & source of the amount credited.</p> |
| 5. | <p>On August 07, 2010 a service provider provided services worth Rs.25,000/- to any taxpayer specified in the 5 categories and receive payment after tax deduction under section 153(1)(b). Said service provider credited a sum of Rs.25,000,000/- in his books of account as income exempt under clause 45A of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001.</p> | <p>Clause (45A) of Part-IV of Second Schedule to the Income Tax Ordinance 2001, inserted through SRO 333(I)/2011 Dated 2nd May 2011 <u>does not allow exemption</u> to Rs.25,000,000/- credited in the books of accounts (for the period ending 30th June 2011) by a supplier of goods to 5 categories specified in Sales Tax Zero Rating Regime.</p> <p>Exemption shall only be allowed to Rs.25,000/- received by such provider of services, and in respect of which he can offer explanation about the nature & source of the amount credited.</p> |

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| 6. | Whether registration of Sales Tax or Income Tax is required, in order to avail the benefits of Clause (45A) of Part-IV of Second Schedule to the Ordinance? | <p>Sub-clause (c) of clause (45A) of Part-IV of Second Schedule to the Income Tax Ordinance 2001, provides that benefits of sub-clauses (b) and (c) of the said clause shall be available only to the cases of eligible sellers, suppliers and service providers who are already registered or get themselves registered by 30th June 2011.</p> <p>The registration for the purposes of Sales Tax as well as Income Tax is mandatory for the purposes of sub-clause (c) of clause (45A).</p> |
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(MOHAMMED IMTIAZ)