

**GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE**

C.No.4(69)IT-Budget/2018-(PT-I)

Islamabad, the 24th October, 2018.

Circular No. 06 of 2018
Income Tax

**SUBJECT:- FINANCE SUPPLEMENTARY (AMENDMENT) ACT, 2018 -
EXPLANATION OF IMPORTANT AMENDMENTS MADE IN THE
INCOME TAX ORDINANCE, 2001.**

The Finance Supplementary (Amendment) Act, 2018 has brought about certain amendments in the Income Tax Ordinance, 2001. Some significant amendments are explained hereunder:-

1. Amendment in tax rates for individuals

(a) Salaried Individuals

Through the Finance Act, 2018 rates for both salaried and non-salaried individuals were unified and threshold of taxable income was increased from Rs.400,000/- to Rs.1,200,000/-. However, a nominal tax rate of Rs.1000/- was imposed on income(s) between Rs.400,000/- to Rs.800,000/- whereas a nominal tax rate of Rs.2000/- was imposed on income(s) between Rs.800,000/- to Rs.1,200,000/-. Moreover, a tax rate of 5% was introduced for income(s) between Rs.1,200,000/- to Rs. 2,400,000/-, 10% for income(s) between Rs. 2,400,000/- to Rs.4,800,000/- and 15% for income(s) exceeding Rs.4,800,000/-.

Through the Finance Supplementary (Amendment) Act, 2018 separate tax rates have once again been introduced for salaried and non-salaried individuals respectively which shall be effective from 1st July, 2018 onwards. The tax rates applicable to salaried individuals (i.e individuals whose income chargeable under the head salary exceeds 50% of taxable income) w.e.f.1st July, 2018 shall be as follows:-

S. No.	Taxable income	Rate of tax
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000

LL
24/10/18

[Signature]

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

A proviso has also been added wherein it has been specified that where the taxable income of salaried individual exceeds eight hundred thousand rupees the minimum tax payable shall be two thousand rupees.

It would be pertinent to mention that the tax rates for salaried individuals introduced through the Finance Supplementary (Amendment) Act, 2018 will not result in an increased tax incidence upon salaried individuals who earn income upto Rs.2.5 million per annum or upto Rs.208,333/- per month viz-a-viz the tax rates introduced through the Finance Act, 2018. Moreover, tax incidence upon salaried persons earning more than Rs.2.5 million per annum or more than Rs.208,333/- per month shall still be lower as compared to the tax incidence prior to the introduction of the Finance Act, 2018.

Every person responsible for paying salary to an employee is obliged to deduct tax under section 149 at the employee's average rate of tax at the time of payment of salary. The average rate of tax pursuant to the introduction of the Finance Supplementary (Amendment) Act, 2018 is to be computed according to the following formula in terms of sub-section (2) of section 149 of the Income Tax Ordinance, 2001:



