**THE SECOND SCHEDULE**

***See Section 14(1)***

[Part I        Exemptions from Total Income](http://finosys.com/incometax/sections/Second%20Sch.htm#Part%20I)

[Part II      Reduction in Tax Rates](http://finosys.com/incometax/sections/Second%20Sch.htm#Part%20II)

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**PART I**

**EXEMPTIONS FROM TOTAL INCOME**

Incomes, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from tax, subject to the conditions and to the extent specified hereunder:-

***Agricultural income***

(1)   Agricultural Income**:**

Provided that, in case an assessee has, in any income year, any income (other than the agricultural income) which is chargeable to tax (hereinafter called "chargeable income"), the agricultural income shall be included in the total income, so however that the tax payable on the chargeable income shall be an amount which bears the same proportion to the chargeable income as the tax on total income bears to the total income:

Provided further that nothing contained in the first proviso shall apply in the case of an individual, not being a director of a company, whose chargeable income does not consist of, or include, income chargeable under the head 'income from business or profession'.

***Salary income***

(2)   Any income chargeable under the head "Salary" derived by any employee of a foreign Government (including a consular or other officer or a non-diplomatic representative) as remuneration for services to such Government, if-

(a)   such employee is a citizen of the foreign country and not a citizen of Pakistan; and

(b)   the services performed by him are of a character similar to those performed by employees of the Government of Pakistan in foreign countries; and

(c)   the foreign Government grants a similar exemption to employees of the Government of Pakistan performing similar services in such foreign country.

*The Expatriate Employees of the International Irrigation Management Institute (IIMI), Pakistan:*

(7B) Any income chargeable under the head "Salary" received by, or due to, any person being an employee of the International Irrigation Management Institute (IIMI) in Pakistan, who is neither a citizen of Pakistan nor was resident in Pakistan in any of the four years immediately preceding the year in which he arrived in Pakistan.

(7D) Any income chargeable under the head "Salary" received by, or due to, any person, not being a citizen of Pakistan or a person resident in Pakistan, as remuneration for services rendered by him as a health professional under the contract of service concluded with Shaukat Khanum Memorial Hospital and Research Center, Lahore, and approved by the Federal Government for the purposes of this clause.

(7E) Any income chargeable under the head "Salary" due to, or received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network, (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994 executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.

(7F) Any income chargeable under the head salary received by a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant income  year, through normal banking channels.

(9)   Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan.

(12) Any income chargeable under the head "Salary" of persons, who are stationed in Pakistan in accordance with the terms of an Aid Agreement entered into by the Government of Pakistan with the Government of the country to which such persons belong or with any international agency and whose salary is paid by such Government or agency out of funds or grants released as aid to Pakistan in pursuance of such Agreement.

(12A) Any income of a person who, not being a citizen of Pakistan, is engaged as a contractor, consultant or expert on a project in Pakistan financed out of grant funds in accordance with the terms of a bilateral or multilateral technical assistance agreement entered into by the Government of Pakistan with any foreign government, international donor agency or bank or other aid-giving organisation and derives such income out of the funds of the grant in pursuance of such agreement:

(13) Any salary received by a person, not being a citizen of Pakistan, by virtue of his employment with the British Council.

(17) Any pension due to, or received by, an assessee being a citizen of Pakistan over sixty years of age **:**

Provided that, with effect from an assessment year commencing on or after the first day of July, 1992, this clause shall have effect as if the words "over sixty years of age" were omitted, so however that exemption under this clause shall apply in respect of pension from one employer only:

Provided further that exemption under this clause shall not apply in respect of a retired person who works for the same employer in any capacity for any remuneration or reward.

(17A) Any pension due to, or received by, an assessee in respect of any service rendered as a member of the Armed Forces of Pakistan or as an employee of the Federal Government or a Provincial Government.

*Leave encashment on retirement. -*

(17AA) Any sum representing encashment of leave preparatory to retirement of a member of the Armed Forces of Pakistan or an employee of the Federal Government or a Provincial Government.

(18) Any pension granted to any public servant to whom clause (48) does not apply in respect of injuries received in the performance of this duties.

(19) Any pension granted to any public servant to whom clause (49) does not apply who has been invalided from service on account of any bodily disability.

(22) Any income received by an assessee from an annuity issued under the Pakistan Postal Annuity Certificate Scheme on or after the 27th July, 1977:

Provided that nothing in this clause shall apply to so much of the income received by an assessee from an annuity or annuities issued after the 1st May, 1980, as exceeds seven thousand and two hundred rupees per annum , and in respect of any assessment year commencing on or after the first day of July, 1986, as exceeds ten thousand rupees per annum.

(22A) Any income received by an assessee from an annuity or annuities issued by the State Life Insurance Corporation of Pakistan or a life insurance company registered under section 3 of the Insurance Act, 1938 :

Provided that this clause shall not apply to so much of the income received by an assessee from an annuity or annuities which, together with the income from any annuity or annuities referred to in clause (22), exceeds ten thousand rupees per annum.

(23) Any payment from a provident fund to which the Provident Funds Act, 1925 (XIX of 1925) applies.

*Benevolent grant*

(23A) Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employees Benevolent Fund and Group Insurance Act, 1969.

(24) The accumulated balance due and becoming payable to an employee participating in a recognised provident fund.

(25) Any payment from an approved superannuation fund made on the death of a beneficiary or in lieu of or in commutation of any annuity, or by way of refund of contribution on the death of a beneficiary.

(26) Any payment in the nature of commutation of pension received from Government or under any pension scheme approved by the Central Board of Revenue for the purpose of this clause.

(27) Any income representing any payment received by way of gratuity or commutation of pension by an employee on his retirement or, in the event of his death, by his heirs as does not exceed-

(i)    in the case of an employee of the Government or a local authority or a statutory body or corporation established by any law for the time being in force, the amount receivable in accordance with the rules and conditions of his service;

(ii)   any amount receivable from any gratuity fund approved by the Commissioner of Income Tax in accordance with the rules contained in Part III of the Sixth Schedule;

(iii)  in the case of any other employee, the amount not exceeding two hundred thousand rupees receivable under any scheme applicable to all employees of the employer and approved by the Central Board of Revenue for the purposes of this sub-clause; and

(iv)  in the case of any employee to whom sub-clauses (i), (ii) and (iii) do not apply, fifty per cent of the amount receivable or seventy-five thousand rupees, whichever is the less:

Provided that nothing in this sub-clause shall apply-

(a)   to any payment which is not received in Pakistan;

(b)   to any payment received from a company by a director of such company who is not regular employee of such company;

(c)   to any payment received by an employee who is not a resident of Pakistan; and

(d)   to any gratuity received by an employee who has already received any gratuity from the same or any other employer.

(28) Any income of a person representing the sums received by him as a worker from out of the Workers Participation Fund established under the Companies Profits (Workers Participation) Act, 1968 (XII of 1968).

(29) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Ministry of Finance and Provincial Coordination (Finance Division) Office Memorandum No. F.2(2)-Imp-I/77, dated the 29th April, 1977;

Provided that exemption under this clause shall not apply in respect of entertainment allowance received on or after the first day of July, 2002.

(29A) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Ministry of Finance (Finance Division) Office Memorandum No. F. 1 (1)-Imp/83, dated the 18th August, 1983;

Provided that exemption under this clause shall not apply in respect of entertainment allowance received on or after the first day of July, 2002.

(30) Any income of an officer of the Pakistan Armed Forces representing the sum received as Entertainment Allowance admissible to him under the Ministry of Defence Office Memorandum No. 716(D)/(B)/77, dated the 29th April,1977;

Provided that exemption under this clause shall not apply in respect of entertainment allowance received on or after the first day of July, 2002.

(31) Any income of an officer representing the sum received by him as Entertainment Allowance admissible to him under the Cabinet Secretariat (Establishment Division) Office Memorandum No. 18/2/78-CV, dated the 13th July, 1978;

Provided that exemption under this clause shall not apply in respect of entertainment allowance received on or after the first day of July, 2002.

(32) Any income of an officer representing the sum received by him as Senior Post Allowance admissible to him under the Ministry of Finance, Planning and Development (Finance Division) Office Memorandum No. F1(36) Gaz-IMP-I/73, dated the 18th August, 1973;

Provided that exemption under this clause shall not apply in respect of senior post allowance received on or after the first day of July, 2002.

(33) Any income of an officer representing the sum received by him as Senior Post Allowance admissible to him under the Ministry of Finance and Provincial Coordination (Finance Division) Office Memorandum No.F. 1(1) IMP-I/77, dated the 28th April, 1977;

Provided that exemption under this clause shall not apply in respect of senior post allowance received on or after the first day of July, 2002.

(33A) Any income of any officer representing the sum received by him as Orderly Allowance admissible to him under the Finance Division O. M. No. F. 1(3)-IMP-II/85, dated the 24th October, 1985.

(33B) Any income of an employee of a recognised University in Pakistan representing the sums received by him as Senior Post Allowance, Entertainment Allowance or Orderly Allowance admissible under the terms and conditions of his service;

Provided that exemption under this clause shall not apply in respect of senior post allowance and entertainment allowance received on or after the first day of July, 2002.

(37) Any income representing compensatory allowance payable to a citizen of Pakistan locally recruited in Pakistan Mission abroad as does not exceed 75 per cent of his gross salary.

(38) Any income of an officer representing the sum received by him as Personal Staff Subsidy admissible to him under the Cabinet Secretariat (Establishment Division) Office Memorandum No. 18/2/78-CV, dated the 13th July, 1978.

*Special allowance to meet certain expenses:*

(39) Any special allowance or benefit (not being entertainment or conveyance allowance or other perquisite within the meaning of subsection (2) of section 16 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.

(39A) Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973, published in Part II of the Gazette of Pakistan, Extraordinary, dated the 28th June, 1980.

(39B) Any amount received as flying allowance by pilots, flight engineers and navigators employed by any Pakistani airline or by Civil Aviation Authority;

*Allowances attached to Honours, awards, etc.:*

(40) Any allowance attached to any Honour, Award or Medal awarded by the President of Pakistan and any monetary award granted by the President of Pakistan.

*Contribution to mess, etc. funds:*

(42) Such portion of the income of a member of Pakistan Armed Forces as is compulsorily payable by him under any orders issued by Government to mess, entertainment or band fund.

(42A) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Air Force.

(42B) Any amount notified as flying allowance payable to pilots, flight engineers and navigators of the Pakistan Army and the Pakistan Navy.

(42C) Any amount notified as submarine allowance payable to officers of the Pakistan Navy.

(42D) Any amount received as flying allowance by junior commissioned officers or other ranks of Pakistan Armed Forces.

*Free rations:*

(43) The value of rations issued in kind, or cash allowance paid in lieu thereof, to members, of Pakistan Armed Forces or of Territorial Forces.

*Rent-free quarters:*

(44) The value of rent-free quarters occupied by, or cash allowance paid in lieu thereof, to members of the Pakistan Armed Forces, including Territorial Force.

*Conservancy allowance:*

(45) The conservancy allowance granted in lieu of free conservancy to personnel below commissioned rank of Pakistan Armed Forces and Territorial Force.

*Deferred pay:*

(46) Deferred pay admissible to Armed Forces personnel under the new Pay Code.

*Pensions for injuries, etc.*

(48) Any pension granted to the personnel of Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) in respect of injuries received in the performance of their duties as such.

*Invalid pensions:*

(49) Any pension granted to the personnel of the Armed Forces of Pakistan (including personnel of the Territorial Force and the National Service of Pakistan) invalided from service with such Forces on account of bodily disability attributable to, or aggrevated by, such service.

*Pensions to dependents of Shaheeds:*

(50) Any income derived by the families and dependents of the "Shaheeds" belonging to Pakistan Armed Forces from the special family pension, dependents pension or children's allowance granted under the provisions of the Joint Services Instruction No. 5/66.

(51) Any income derived by the families and dependents of the "Shaheeds" belonging to the Civil Armed Forces of Pakistan to whom the provisions of the Joint Services Instruction No. 5/66 would have applied had they belonged to the Pakistan Armed Forces from any like payment made to them.

*Pension of dependents of public servants:*

(51A) Any pension granted under the relevant rules to the families and dependents of public servants or members of the Armed Forces of Pakistan who die during service.

*Perquisites to President, Provincial Governors, etc.:*

(52) The perquisite represented by the right of the President of Pakistan, the Provincial Governors and the Chiefs of Staff, Pakistan Armed Forces to occupy free of rent as a place of residence any premises provided by the Government.

(53) The perquisite represented by free conveyance provided and the sumptuary (entertainment) allowance granted by Government to Provincial Governors, the Chiefs of Staff, Pakistan Armed Forces and the Corps Commanders.

(54) The following perquisites and allowances provided or granted by Government to the Ministers of the Federal Government, namely:-

(a)   rent-free accommodation in so far as the value thereof exceeds ten per cent of the basic salary of the Ministers concerned;

(b)   house-rent allowance paid by Government in lieu of rent-free accommodation in so far as it exceeds five hundred and fifty rupees per mensem;

(c)   free conveyance; and

(d)   sumptuary allowance.

*Free provision of utilities:*

(54A) Any sum paid, for purpose of meeting the charges for gas, water and electricity, to-

(a)    the Federal and Provincial Ministers; and

(b)   an employee upto ten per cent of the minimum of time scale, and where there is no time scale, up to ten per cent of the basic salary

Provided that exemption under this clause in respect of the Federal and Provincial Ministers shall not apply in respect of any assessment year commencing on or after the first day of July, 2003.

(54B) The value of gas, water and electricity provided free of charge to-

(a)   the Federal and Provincial Ministers; and

(b)   an employee upto ten percent of the minimum of time scale, and where there is no time scale, upto ten per cent of the basic salary.

Provided that exemption under this clause in respect of the Federal and Provincial Ministers shall not apply in respect of any assessment year commencing on or after the first day of July, 2003.

(55) The perquisite represented by the right of a Judge of the Supreme Court of Pakistan or of a Judge of a High Court to occupy free of rent as a place of residence any premises provided by the Federal or the Provincial Government, as the case may be, or in case no such residence is provided, or a Judge chooses to reside in his own house, so much of income which represents the sum paid to him as house rent allowance, but not exceeding seven hundred and fifty rupees per mensem.

(55A) The following allowance and privileges provided to a Judge of a High Court vide the Transfer of High Court Judges (Allowances and Privileges) Order, 1983 (P.O. No. 2 of 1983), namely:-

(a)   monthly allowances of one thousand and five hundred rupees; and

(b)   if the family of a Judge does not join him at the place to which he is transferred or at which he is posted, he shall be provided at such place with-

(i)     single rent free accommodation maintained by Government; and

(ii)    an official car maintained at Government expense, including the supply of petrol not exceeding one hundred and fifty litres per month for use in such car.

(56) (1)    Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by the following, namely:-

(i)     National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited, if not less than ninety per cent of its Units at the end of that year are held by the public and not less than ninety percent of its income of the year is distributed among the Unit-holders;

(ii)    any Mutual Fund approved by the Controller of Capital Issues and set up by the Investment Corporation of Pakistan, if not less than ninety per cent of its Certificates at the end of that year are held by the public and not less than ninety per cent of its income of that year is distributed among the Certificate -holders;

(iii)   Shaukat Khanum Memorial Trust, Lahore; and

(iv)   Sheikh Sultan Trust, Karachi.

(1A) Any income derived by any Mutual Fund, investment company, or a collective investment scheme approved by the Corporate Law Authority or the National Investment (Unit) Trust of Pakistan established by the National Investment Trust Limited from any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), if not less than ninety per cent of its income of that year is distributed amongst the Unit-holders.

(2)   Any income of the following funds and institutions, namely:-

(i)     a provident fund to which the Provident Funds Act, 1925 (XIX of 1925), applies;

(ii)    trustees on behalf of a recognised provident fund or an approved superannuation fund or an approved gratuity fund;

(iia)  Overseas Pakistanis Pension Trust;

(iii)   a benevolent fund or group insurance scheme approved by the Central Board of Revenue for the purposes of this sub-clause;

(iv)   Service Fund;

(v)    Employees Old-Age Benefits Institution established under the Employees Old-Age Benefit Act, 1976 (XIV of 1976);

(vi)   any Unit, Station or Regimental Institute; and

(vii)  any recognised Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof.

*Explanation.- For the purpose of this sub-clause, "Service Fund" means a fund which is established under the authority, or with the approval, of the Federal Government for the purpose of -*

*(a)    securing deferred annuities to the subscribers or payment to them in the event of their leaving the service in which they are employed; or*

*(b)    making provision for their wives or children after their death; or*

*(c)    making payment to their estate or their nominees upon their death.*

(62)  (1)   Any income of a trust or welfare institution specified in sub-clauses (2) and (3) from donations, voluntary contributions, subscriptions, house property, investments in the securities of the Federal Government and so much of the income chargeable under the head "Income from business or profession" as is expended in Pakistan for the purposes of carrying out welfare activities:

Provided that in the case of income under the head "Income from business or profession", the exemption in respect of income under the said head shall not exceed an amount which bears to the income under the said head the same proportion as the said amount bears to the aggregate of the incomes from the aforesaid sources of income.

(2)   A trust administered under a scheme approved by the Federal Government in this behalf and established in Pakistan exclusively for the purposes of carrying out such activities as are for the benefit and welfare of-

(i)     ex-servicemen and serving personnel, including civilian employees of the Armed Forces, and their dependents; or

(ii)    ex-employees and serving personnel of the Federal Government or a Provincial Government and their dependents, where the said trust is administered by a committee nominated by the Federal Government or, as the case may be, a Provincial Government.

(3)   A trust or welfare institution approved by the Central Board of Revenue for purposes of this sub-clause.

*Interest income:*

(75) Any interest payable to a non-resident in respect of such private loan to be utilised on such project in Pakistan as may be approved by the Federal Government for the purposes of this clause having regard to the rate of interest and the terms of re-payment of the loan and the nature of the project on which it is to be utilised.

(75A) Any interest payable to a non-resident on a loan in foreign exchange against export letter of credit which is used exclusively for export of goods manufactured or processed for exports in Pakistan.

(76) Any interest payable by an industrial undertaking in Pakistan-

(i)    on moneys borrowed by it under a loan agreement entered into with any such financial institution in a foreign country as may be approved in this behalf by the Federal Government by a general or special order; and

(ii)   on moneys borrowed or debts incurred by it in a foreign country in respect of the purchase outside Pakistan of capital plant and machinery in any case where the loan or debt is approved by the Federal Government, having regard to its terms generally and in particular to the terms of its payment, from so much of the tax payable in respect thereof as exceeds the tax or taxes on income paid on such interest in the foreign country from which the loan emanated or in which the debt was incurred (hereinafter referred to as the 'said country'):

Provided that, where the amount of such tax or taxes paid in the said country exceeds the amount of the tax payable in Pakistan, no refund of the amount paid in excess shall be allowed:

Provided further that, where the said country exempts such interest or allows credit against its own tax for the tax which would have been payable in Pakistan if the said interest were liable to tax in Pakistan, no tax shall be payable in Pakistan in respect of such interest.

(76A) Any interest or profit derived by Hub Power Company Limited on or after the first day of July, 1991, on its bank deposits or accounts with financial institutions directly connected with financial transactions relating to the Project operations.

(77) Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from interest on moneys borrowed under a loan agreement or in respect of foreign currency instrument approved by the Federal Government.

(77A) Any interest payable to a non-resident being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilized for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the First day of February 1991, and is duty registered with the State Bank of Pakistan.

(77B) Any profit derived by a non-resident, (whether a citizen of Pakistan or otherwise) in respect of the Islamic mode of financing, including istisna, morabaha, musharika **:**

Provided that in the case of Hub Power Company Limited, this clause shall apply to such Islamic modes of financing agreements which have been concluded on or after the 30th day of November, 1992.

(78) Any interest derived from foreign currency accounts held with the authorised banks in Pakistan, in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan.

(78A) Any interest or profit derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

(78B) Any income derived from a private foreign currency account held with an authorized bank in Pakistan, in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by a resident citizen of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposit made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date.

(78C) The income of an individual, a firm, an institution or a body corporate, other than a bank or a financial institution, by way of interest on Foreign Currency Bearer Certificates issued under the Three-Years Foreign Currency Bearer Certificate Rules, 1997.

(78D) Any profit on Special US Dollar Bonds issued under the Special US Dollar Bonds Rules, 1998:

Provided that the exemption under this clause shall not apply to profits on the said Bonds purchased by a resident person out of any incremental deposits made in the foreign currency accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date.

(78E) Any profit or interest derived from Pak rupees account or certificates of deposit which have been created by conversion of a foreign currency account or deposit held on the 28th day of May, 1998, with a bank authorised under the Foreign Currency Accounts Scheme of State Bank of Pakistan:

Provided that nothing contained in this clause shall apply to such Pak rupee account or certificates which are created out of foreign currency deposits which are not exempt under clause (78).

(79) Any interest income received from a Pakistani bank by a foreign bank, approved by the Federal Government for the purposes of this clause, for such period as may be determined by the Federal Government:

Provided that-

(i)    the interest income is earned on deposits comprising of remittances from abroad held in a rupee account opened with a Pakistani bank with the prior approval of the State Bank of Pakistan;

(ii)   the Pakistani bank maintaining the said rupee account holds 20 per cent or more of the equity capital of the said foreign bank and the management of the latter vests in the Pakistani bank; and

(iii)  the rate of interest chargeable on the said deposits does not exceed the rate of interest chargeable on the deposits in the foreign currency accounts allowed to be opened with banks in Pakistan by the State Bank of Pakistan.

(79C) Any income derived by a non-resident from foreign investment in 7th issue of Pak rupee denominated WAPDA Energy Bonds issued under the WAPDA Energy Bonds (7th Issue) Regulations, 1997.

(80) Any income derived by a non-resident (excluding local branches, subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan) from Federal Government securities and redeemable capital, as defined in the Companies Ordinance, 1984, (XLVII of 1984) listed on a registered stock exchange, where the investments are made exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan.

*Income of text-book boards:*

(85A) Any income of a text-book board of a Province established under any law for the time being in force, accruing or arising from the date of its establishment.

*Income of universities and educational institutions:*

(86) Any income of any university or other educational institution established solely for educational purposes and not for purposes of profit.

(86B) Profits and gains derived by an assessee from the running of any computer training institution or computer training scheme, recognized by a Board of Education or a University or the University Grant Commission, as the case may be, set up between the first day of July, 1997, and the thirtieth day of June 2005, both days inclusive, for a period of five years beginning with the month in which such institution is set up:

Provided that a computer training institution or computer training scheme approved by the Central Board of Revenue before the first day of July, 2000, shall continue to avail exemption under this clause till the expiry of the specified period.

*Scholarships:*

(87) Scholarships granted to meet the cost of education.

*Local authorities:*

(88) Any income of a local authority, not being income from business, if any, carried on by it outside its jurisdictional area.

*Sports Boards, etc.:*

(90) Any income derived by any Board or other organization established by Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognised by Government.

(91) Subject to the provisions of sub-section (3A) of section 47, any amount paid as donation to the following institutions, foundations, societies, boards, trusts and funds, namely:-

(i)    any Sports Board or institution recognised by the Federal Government for the purposes of promoting, controlling or regulating any sport or game;

(ii)   President's Fund for Afghan Refugees;

(iii)  Fund for promotion of Science and Technology in Pakistan;

(iv)  Fund for Retarded and Handicapped Children;

(v)   National Trust Fund for the Disabled;

(vi)  Bangladesh Flood Relief Fund, 1988;

(vii) Fund for Development of Mazar of Hazarat Burri Imam;

(viii) Rabita-e-Islami's Project for printing copies of the Holy Quran;

(ix)  Fatimid Foundation, Karachi;

(x)   Al-Shifa Trust;

(xi)  Bank of Commerce and Credit International Foundation for Advancement of Science and Technology;

(xii) Society for the Promotion of Engineering Sciences and Technology in Pakistan;

(xiii) President's Fund for Assistance to Palestine;

(xiv) President's Famine Relief Fund for Africa;

(xv)  Bangladesh Cyclone Relief Fund, 1985;

(xvi) Prime Minister's Fund for the Welfare of Widows and Orphans;

(xvii) Prime Minister's Disaster Relief Fund, 1987;

(xviii)Chief Minister Punjab's Flood Relief Fund, 1988;

(xix)Prime Minister's Fund for Welfare and Relief for Kashmiris;

(xx) Prime Minister's Bangladesh Cyclone Relief Fund, 1991;

(xxi)Sindh Governor's Relief Fund, 1990, for the Relief and Rehabilitation of Victims of Violence in Sindh;

(xxiA) Baluchistan Governor's Relief Fund for the relief and rehabilitation of drought affected people of Balochistan;

(xxii) Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi;

(xxiii) ICIC Foundation;

(xxiv) BCCI Foundation;

(xxv)  National Management Foundation;

(xxvi) Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network

(xxvii) Shaheed Zulfiqar Ali Bhutto Memorial Awards Society;

(xxviii) Iqbal Memorial Fund;

(xxix)  Cancer Research Foundation of Pakistan, Lahore;

(xxx)   Shaukat Khanum Memorial Trust, Lahore ;

(xxxi)  Christian Memorial Hospital, Sialkot ; and

(xxxii) National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government.

(xxxiii)Mumtaz Baklhtawar Memorial Trust Hospital, Lahore.

(xxxiv) Kashmir Fund for Rehabilition of Kashmir Refugees and Freedom Fighters.

(xxxv) Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.

(xxxvi) Azad Kashmir President's Mujahid Fund, 1972; National Institute of Cardiovascular Diseases, (Pakistan) Karachi; Businessmen Hospital Trust, Lahore; Premier trust Hospital, Mardan; Faisal Shaheed Memorial Hospital, Gujranwala; Faisal Shaheed Memorial Hospital Trust, Gujranwala; Khair-un-Nisa Hospital Foundation, Lahore; Sind and Balochistan Advocates' Benevolent Fund; Rashid Minhas Memorial Hospital Fund; and

(xxxvii) Any relief or welfare fund established by the Federal Government.

(xxxviiA) Mohatta Palace Gallery Trust.

(xxxviiAa) Bagh-e-Quaid-i-Azam Project, Karachi.

*Income of religious or charitable trusts, etc:*

(93) Any income which is derived from, investments in securities of the Federal Government and house property held under trust or other legal obligations wholly, or in part only, for religious or charitable purposes and is actually applied or finally set apart for application thereto:

Provided that nothing in this clause shall apply to so much of the income as is not expended within Pakistan:

Provided further that if any sum out of the amount so set apart is expended outside Pakistan, it shall be included in the total income of the income year in which it is so expended or of the year in which it was set apart, whichever is the greater, and the provisions of sub-section (3) of section 65 shall not apply to any assessment made or to be made in pursuance of this proviso.

*Explanation.-Notwithstanding anything contained in the Mussalman Wakf Validating Act, 1913 (VI of 1913), or any other law for the time being in force or in the instrument relating to the trust or the institution, if any amount is set apart, expended or disbursed for the maintenance and support wholly or partially of the family, children or descendents of the author of the trust or the donor or the maker of the institution or for his own maintenance and support during his life time or payment to himself or his family, children, relations or descendents or for the payment of his or their debts out of the income from house property dedicated, or if any expenditure is made other than for charitable purposes, in each case such expenditure, provision, setting apart, payment or disbursement shall not be deemed, for the purposes of this clause, to be for religious or charitable purposes.*

(93A) Any income derived from donations made by non-official or private sector sources in Pakistan to the Waqf for Research on Islamic History, Art and Culture, Istanbul set up by the Research Centre for Islamic History, Art and Culture (IRCICA).

(94) Any income of a religious or charitable institution derived from voluntary contributions applicable solely to religious or charitable purposes of the institution:

Provided that nothing contained in clause (93) or this clause shall apply to the income of a private religious trust which does not enure for the benefit of the public.

*Income of Mutual Funds:*

(102D) Any income derived by a Mutual Fund or an investment company registered under the Investment Companies and Investment Advisors Rules, 1971 or a unit trust scheme constituted by an asset management company registered under the Assets Management Companies Rules, 1995, if not less than ninety percent of its income of that year is distributed amongst the unit or certificate holders or share-holders, as the case may be.

*Income of modarabas*

(102E) Any income, not being income from trading activity, of a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), for any assessment year commencing on or after the first day of July, 1999:

Provided that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the said Ordinance or the rules made thereunder:

Provided further that with effect from the first day of July, 1999 for the purpose of determining the distribution of ninety per cent profits, the profits distributed through bonus certificates or shares to the certificate holders shall not be taken into account.

(102G) Profits and gains derived between the first day of July, 2000 and the thirtieth day of June, 2007, both days inclusive, by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000.

(107A) Any dividends received on or after the first day of July, 1982, by the Investment Corporation of Pakistan from any other company which has paid or will pay the tax in respect of the profits out of which such dividends are paid.

*Income of partners of firms, etc.:*

(109) Any sum received by an assessee as a member of a Hindu undivided family out of the income of the family;

Provided that exemption under this clause shall not apply in respect of any assessment year commencing on or after the first day of July, 2003.

(110) Any sum which the assessee is entitled to receive out of the income of an association of persons (other than a Hindu undivided family, a company or a firm) on which tax has already been paid by the association:

Provided that such sum shall be included in the total income of the assessee for computing the average rate of tax applicable to the total income excluding such sum;

Provided further that exemption under this clause shall not apply in respect of any assessment year commencing on or after the first day of July, 2003.

(111) Any sum being the share of the assessee (or any portion thereof) in the profits and gains of an unregistered firm, not being a firm treated as a registered firm under sub-clause (ii) of clause (b) of sub-section (1) of section 69, computed in the manner laid down in sub-section (4) of section 69, on which tax has already been paid by the firm:

Provided that such sum shall be included in the total income of the assessee for computing the average rate of tax applicable to the total income excluding such sum;

Provided further that exemption under this clause shall not apply in respect of any assessment year commending on or after the first day of July, 2003.

(111A) Any sum being the share of the assessee (or any portion thereof) in such profits and gains of a registered firm as are liable to be assessed under the provisions of section 80C or section 80CC;

Provided that exemption under this clause shall not apply in respect of any assessment year commending on or after the first day of July, 2003.

(112) Any distribution received by an assessee from the National Investment (Unit) Trust or a Mutual Fund established by the Investment Corporation of Pakistan out of the capital gains of the said Trust or Fund on which tax has already been paid.

*Income from transport business:*

(115) Any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non-resident in those territories.

*Income of Water and Power Development Authority:*

(115A) Any income derived by the Pakistan Water and Power Development Authority, established under the Pakistan Water and Power Development Authority Act, 1958 (West Pakistan Act No. XXXI of 1958).

(115C) The income derived by a company in which more than ninety-nine per cent shares are held, whether jointly or severally, by the Federal Government and the Water and Power Development Authority specified in entry (115A), engaged in generation of thermal power, transmission or distribution of electricity, for the assessment years 1998-99, 1999-2000 and 2000-2001.

*Capital gains:*

(116) Any income chargeable under the head "capital gains" , being income from the sale of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on any stock exchange in Pakistan or shares of a public company (as defined in the First Schedule) and the Pakistan Telecommunications Corporation vouchers issued by the Government of Pakistan, derived by an assessee in respect of any assessment year ending on or before the thirtieth day of June, 2005.

(116A) Any income chargeable under the head 'capital gains', being income from the sale of shares of a public company (as defined in the First Schedule), derived by any foreign institutional investor as is approved by the Federal Government for the purposes of this clause.

(116C) Any income chargeable under the head "capital gains", being income from the sale of shares of a public company (as defined in the First Schedule) set up in any Special Industrial Zone referred to in clause (126C) derived by an assessee for a period of five years from the date of commencement of its commercial production **:**

Provided that the exemption under this clause shall not be available to an assessee from the sale of shares of such companies which are not eligible for exemption from tax under clause (126C).

(117) Any income chargeable under the head "capital gains" derived by an assessee from an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980).

(118) Any share of income received by an assessee out of capital gains on which tax has been paid by the firm of which he is a partner;

Provided that exemption under this clause shall not apply in respect of any assessment year commending on or after the first day of July, 2003.

(125C) *Fruit Processing*

(1)   Profits and gains derived by an assessee from an industrial undertaking for a period of five years from the date of commencement of commercial production.

(2)   The exemption under this clause shall apply to an undertaking which is-

(a)    set up between the first day of July, 1994, and the thirtieth day of June, 2000, both days inclusive;

(b)    owned and managed by a company formed exclusively for operating the said industrial undertaking engaged in fruit processing and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan; and

(c)    is not formed by splitting up or the reconstruction or reconstitution of business already in existence or by transfer to a new business of any machinery or plant in Pakistan at any time before the commencement of the new business.

(126C)(1) Profits and gains derived by an assessee from an industrial undertaking set up between the first day of July, 1995, and the thirty-first day of December, 2002, both days inclusive, for a period of ten years beginning with the month in which the undertaking is set up or commercial production is commenced, whichever is the later **:**

Provided that the exemption under, this clause shall not be available after the 31st January, 1996, except to such assessees, otherwise qualifying under this clause, who have established letters of credit for the import of plant and machinery for such industrial undertaking by the 31st January, 1996.

Provided further that the extension in deadline from the 30th June, 1999, to the 31st December, 2002, shall not apply to those projects whose cases are sub-judice and that the Federal Government shall decide such cases in accordance with the verdict of the apex Court.

(2)   The exemption under this clause shall apply to an industrial undertaking which fulfils the following conditions, namely: -

(a)    that it is set up in such area as may be notified by the Federal Government to be a Special Industrial Zone;

(b)    that it is not formed by the splitting up, or the reconstruction or reconstitution of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business;

(c)    that it is owned and managed by a company formed exclusively for operating such industrial undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984), having its registered office in Pakistan; and

(d)    that it is not engaged in the manufacture of arms and ammunition, security printing, currency and mint, high explosives, radioactive substances, alcohol (except industrial alcohol), cotton ginning, spinning (except as part of integrated textile unit), sugar manufacturing (white), flour milling, steel rerolling and furnace, Tobacco industry, ghee or vegetable oil industry, plastic bags (Including Polyropylene, and Polyethylene) beverages (excluding fruit juices), polyester industry, automobile assembly and cement industry.

*Medical expenditure by individuals.*

(129A) Any amount paid by an assessee, being an individual and resident in Pakistan, by way of personal expenditure on medical services:

Provided that the receipts in respect of such expenditure bearing names, National Tax Number and complete addresses of the medical practitioners are furnished alongwith his return of total income.

*Income of returning expatriates.*–

(130A) Any income which accrues or arises outside Pakistan to a resident (who is a citizen of Pakistan but was not resident in any of the four years preceding the year in which he became resident) for two years, that is to say, in respect of the income year in which he became resident and the income year next following.

*Income of Pakistan Agricultural Research Council:*

(133) Income of Pakistan Agricultural Research Council, Islamabad.

(133A) Any income of the Institutions of the Agha Khan Development Network, (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network. and

*Income of Saudi-Pak Industrial and Agricultural Investment Company Limited:*

(134A) Any income of Saudi-Pak Industrial and Agricultural Investment Company Limited in Pakistan for a period of twenty years commencing with the thirty-first day of December, 1982.

*Income of Pakistan-Kuwait Investment Company:*

(135B) Any income of the Liaquat National Hospital Association, Karachi.

(135C) Any income derived by-

(i)    Abdul Sattar Edhi Foundation, Karachi; and

(ii)   Bilquis Edhi Foundation, Karachi.

(135D) Any income derived by Al-Shifa Trust, Rawalpindi, for the Assessment Year commencing on or after the first day of July, 1991.

(135E) Any income derived by Fatimid Foundation, Karachi.

(135F) Any income of Hamdard Laboratories (Waqf) Pakistan for the assessment year commencing on or after the first day of July, 1989.

(139) Any income-

(a)    of a company registered under the Companies Act, 1913 (VII of 1913), and having its registered office in Pakistan, as is derived by it by way of royalty, commission or fees from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise by the company or in consideration of technical services rendered outside Pakistan to such enterprise by the company under an agreement in this behalf, or

(b)    of any other assessee as is derived by him, in the income year relevant to the assessment year beginning with the first day of July, 1982 and any assessment year thereafter, by way of fees for technical services rendered outside Pakistan to a foreign enterprise under an agreement entered into in this behalf :-

Provided that-

(i)     such income is received in Pakistan by or on behalf of the said company or other assessee, as the case may be, in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange; and

(ii)    where any income as aforesaid is not brought into Pakistan in the year in which it is earned and tax is paid thereon, an amount equal to the tax so paid shall be deducted from the tax payable for the year in which it is brought into Pakistan and, where no tax is payable for that year or the tax payable is less than the amount to be deducted, the whole or such part of the said amount as is not deducted shall be carried forward and deducted from the tax payable for the year next following and so on.

(140) Any income of an assessee, being a partner in a registered firm, as represents his share of such income of the said firm as is exempt under clause (139);

Provided that exemption under this clause shall not apply in respect of any assessment year commending on or after the first day of July, 2003.

*Donations to the Liaquat National Hospital Association, Karachi.*

(147B) Such portion of the total income of an assessee as is paid by him during the income year as donation to the Liaquat National Hospital Association, Karachi:

Provided that the amount so donated shall be included in computing the total income of the assessee:

Provided further that the amount by which the tax payable by an assessee is reduced on account of the exemption under this clause shall be equal to the sum which bears the same proportion to the sum exempted from tax under this clause as the tax payable on the total income of the assessee bears to the said total income.

*Income of Subsidiary of Islamic Development Bank:*

(148) Any income derived by any subsidiary of the Islamic Development Bank wholly owned by it and set up in Pakistan and engaged in owning and leasing of tankers.

(152) Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.

(153) Any income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi Pak Industrial and Agricultural Investment Company Limited.

(154) Any income derived by the Pakistan Council of Scientific and Industrial Research.

*Institution of Engineers, Pakistan, Lahore:*

(168) Any income derived by the Institution of Engineers, Pakistan, Lahore.

(171A) Any amount received on encashment of any certificate issued in pursuance of the U.S. Dollar Bearer Certificates Rules, 1991**:**

Provided that exemption under this clause shall not be available in respect of certificates purchased on or after the 15 June, 1995.

(171B) Any amount received on encashment of Special US Dollar Bond issued under the Special US Dollar Bonds Rules, 1998.

*The International Irrigation Management Institute, Pakistan:*

(174) Any income derived by the International Irrigation Management Institute (IIMI), Pakistan.

*Private Sector Power Projects:*

(176) Profits and gains derived by an assessee from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988.

The exemption under this clause shall apply to such project which is –

(a)    owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;

(b)    not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c)    owned by a company fifty percent of whose shares are not held by the Federal Government or Provincial Government or a local authority or which is not controlled by the Federal Government or a Provincial Government or a local authority **:**

Provided that the condition laid down in sub-clause (a) shall not apply to the Hub Power Company Limited.

(177) Payments made on or after the first day of July, 1991, for the supply of plant, equipment and machinery to Hub Power Company Limited by a non-resident being a foreign individual, company, firm or association of persons.

(179) Income from export of computer software and its related services developed in Pakistan;

Provided that the exemption under this clause shall not be available after the 30th day of June, 2016.

(182) Any income referred to in Section 3.4 (a) of the Facilitation Agreement between the President of the Islamic Republic of Pakistan and the assessee purchasing the Kot Addu Power Station from Pakistan Water and Power Development Authority for a period of ten years from 28th June, 1996; provided, however, that the exemption under this clause shall only be available subject to the business of the said assessee being restricted to owing and operating the Kot Addu power station.

(184) Any income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999 made under the Companies Ordinance, 1984 (XLVII of 1984):

Provided that, if there is any income which accrues or arises in the accounts of the special purpose vehicle, after completion of the process of the securitization, it shall be returned to the Originator as defined by the said rules within the income year next following the year in which the income has been determined and such income shall be taxable in the hands of the Originator.

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**PART II**

**REDUCTION IN TAX RATES**

Incomes or classes of income, or persons or classes of persons, enumerated below, shall be liable to tax at such rates which are less than the rates specified in the First Schedule, as are specified hereunder:

*Rates of tax for companies engaged in exploration and extraction of mineral deposits.*

(1)   In respect of such profits and gains of such company as are referred to in clause (123) of Part I, the rates of income tax and super tax, as specified in the First Schedule and as applicable to the said profits and gains of the said company accruing or arising after the expiry of the period of five years referred to in the said clause, shall be reduced by fifty per cent for a period of five years immediately next following the exemption period.

*Rate of tax in respect of undertakings in the Export Processing Zone.*

(2)   In the case of an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the income, profits and gains of such undertaking accruing or arising after the expiry of the period of exemption under clause (126) of Part I shall be charged to tax for a period of five years thereafter at the rate equal to twenty-five per cent of the rates specified in the First Schedule **:**

Provided that nothing contained in this clause shall apply in respect of undertakings whose period of exemption under clause (126) of Part I will expire after the 30th June, 1997.

*Rate of tax in respect of commission of export indenting agents, etc.*

(2A) The tax chargeable in respect of commission received by an export indenting agent or an export buying house shall be at the rate equal to the rate of tax applicable to the exporter on export of goods to which such commission relates.

*Rate of tax in respect of income of engineering contracting services rendered outside Pakistan.*

(2AB) The tax in respect of income from engineering contracting services rendered outside Pakistan shall be charged at the rate of one per cent of the gross receipts, provided that such receipts are brought into Pakistan in foreign exchange through normal banking channel.

*Income from letting out pipeline for petroleum.*

(3)   Any income of persons whose profits or gains from business are computed under the Fifth Schedule to this Ordinance as is derived from letting out to other similar persons any pipeline for the purpose of carriage of petroleum shall be charged to tax at the same rate as is applicable to such persons in accordance with the provisions of the said Schedule.

(4)   In the case of a resident being an individual, unregistered firm, association of persons, Hindu undivided family or artificial juridical person referred to in clause (32) of section 2, the profit on Federal Investment Bonds issued under the Federal Investment Bonds Rules, 1991, shall be liable to deduction of income tax under sub-section (2) of section 50 at the rate of ten per cent of the amount of the said profit.

(4A) In the case of a resident person the profit on Special US Dollar Bonds purchased out of any incremental deposits made in the existing foreign currency accounts on or after the 16th day of December, 1999, or out of new accounts opened on or after the said date, shall be liable to deduction of income tax under sub-section (2) of section 50 at the rate of ten per cent of the amount of the said profit.

(5)   In the case of any person referred to in clause (32) of section 2, being a resident, profit on the reinvestment or the redeposit of Khaas Deposit Certificates or Khaas Deposit Accounts made under the National Savings Scheme on or after the tenth day of November, 1991, shall be liable to deduction of income tax under sub-section (2) of section 50 at the rate of ten per cent of the amount of the said profit.

(5AA)  In case of any individual, being a resident, the tax from profit or interest of any National Savings Schemes of Directorate of National Savings or Post Office Savings Account in which investment is made on, or after, the first day of July, 2001, shall be deducted at the rate of ten per cent of such profit or interest:

 Provided that no tax shall be deducted from income or profits paid on-

 (a)  Defence Savings Certificates, Special Savings Certificates, Savings Accounts or Post Office Savings Account, made on, or after, the first day of July, 2001, where such deposit does not exceed three hundred thousand rupees; and

 (b)  investment in Monthly Income Saving Accounts Scheme of Directorate of National Savings on, or after, the first day of July, 2001, where monthly installment in an account does not exceed one thousand rupees.

*Rate of tax in respect of Lahore-Islamabad Motorway Project.*

(6)   In the case of Daewoo Corporation, Seoul, Korea (hereinafter referred to as the Contractor), payments received in full or in part (including a payment by way of an advance) in pursuance of the contract agreements made with the National Highway Authority on the thirtieth day of December, 1991, for design and construction of Lahore-Islamabad Motorway shall be deemed to be the income of the Contractor and charged to tax at the rate of three per cent of such payments which shall constitute final discharge of his tax liability under this Ordinance and the Contractor shall not be required to file the return of total income under section 55.

(6A) Tax shall be collected at 3/4th of the rate applicable under subsection (5) of section 50 on the goods imported under the Afghan Transit Trade Agreement, 1965, and subject to Notification S.R.O.368(I)/95, dated the 2nd May, 1995.

(6AA) In respect of any edible oils imported, the tax under sub-section (5) of section 50 shall be collected at the rate of three per cent of the value of such edible oils as increased by customs duty and sales tax, if any, levied thereon.

*Rate of tax in respect of certain exporters.*

(6AB) Tax shall be deducted under sub-section (5A) of section 50 at the rate of 0.75% from foreign exchange proceeds on account of export of -

 (i)    rice marketed under a brand name upto five kilograms packs;

(ii)    canned and bottled fish including sea-food and other food items; and

(iii)    precious and semi-precious stones whether uncut, cut or polished.

(6AC) Tax shall be deducted under sub-section (5A) of section 50 at the rate of 0.75% from foreign exchange proceeds on account of export of fish and fisheries products packed to retail packs of five hundred grams to two kilograms.

*Rate in respect of certain Trusts falling under clause (62) of Part I.*

(9)   In the case of Messrs Fauji Foundation and Army Welfare Trust, so much of the income chargeable under the head "Income from business or profession" as is not exempt under clause (62) of Part I, shall be charged to tax at the rate of 20% of such income.

*Rate of tax in respect of O&M contractors of private sector power projects:*

(10) In the case of a non-resident O&M Contractor payments, received in full or in part including a payment by way of an advance, for the operation and maintenance of a private sector power project and transmission line projects approved by the Federal Government shall be deemed to be the income of the said O&M Contractor and charged to tax at the rate of five per cent of such payments for a period of three years beginning with the date of commencement of company’s operations which shall constitute the final discharge of tax liability by the O&M Contractor under this Ordinance in respect of the said project.

(11) In the case of a non-resident, being a company, rate of deduction of tax under sub-section (3) of section 50 on dividends received from a company engaged exclusively in mining operations, other than petroleum, shall be 7.5 per cent of the gross amount of dividend.

(12) The rates of tax as specified in clause (b) and clause (c) of paragraph D of Part V of the First Schedule shall be reduced to 7.5% in case of dividends declared or distributed by purchaser of a power project privatised by WAPDA.

(13) In the case of consortium of M/s. STFA Construction Company of, Turkey and M/s. JDN of Belgium (hereinafter referred to as the contractor) all payments received in pursuance of the contract agreement, No. CEN-126/93, made with the Ormara Naval Harbour Project Board, on the fourteenth day of June, 1993, for the construction of a Naval Harbour at Ormara (including off-shore and land development works), chargeable to tax in any assessment year, shall be deemed to be the income of the contractor and charged to tax at the rate of three per cent which shall constitute final discharge of contractor's tax liability under this Ordinance.

(14) In the case of any resident person engaged in the business of shipping a presumptive income tax shall be charged in the following manner namely :-

 (a)  ships and all floating crafts including tugs, dredgers, survey vessels and other specialized craft purchased or bare-boat chartered and flying Pakistan flat shall pay tonnage tax of an amount equivalent to one US dollar per gross registered tonnage per annum; and

(b)   ships, vessels and all floating crafts including tugs, dredgers, survey vessels and other specialized craft not registered in Pakistan and hired under any charter shall pay tonnage tax of an amount equivalent to fifteen US cents per tonne of gross registered tonnage per chartered voyage provided that such tax shall not exceed one US dollar per tonne of gross registered tonnage per annum:

Provided that the reduction under this clause shall not be available after the 30th June, 2020.

 Explanation.- For the purpose of this clause, 'equivalent amount' means the rupee equivalent of a US dollar according to the exchange rate prevalent on the first day of December in the case of a company and the first day of September in other cases in the relevant assessment year.

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**PART III**

**REDUCTION IN TAX LIABILITY**

Incomes, or classes of income, or persons or classes of persons, enumerated below, shall be allowed reduction in tax liability to the extent and subject to such conditions as are specified hereunder:-

*Limit on the income tax payable.*

(1)    Where any person for any year-

(a)    is liable to income tax and also to the Wealth-tax payable under the Wealth-tax Act, 1963 (XV of 1963); and

(b)    his taxable income under this Ordinance exceeds one hundred thousand rupees; and

(c)    the aggregate amount of income tax and wealth-tax payable by him exceeds seventy-five per cent of his total income,

the income tax payable by him shall be reduced by the amount by which the said aggregate amount exceeds seventy-five percent of his total income.

*Reduction in tax in such cases to which Universal Self Assessment Scheme apply.*

(1A) The amount of tax payable under paragraph AA of Part I of the First Schedule to this Ordinance by a person qualifying for assessment under the Universal Self Assessment Scheme made under sub-section (1) of section 59 of this Ordinance for the assessment year 1999-2000, shall be reduced by an amount of one thousand, two hundred and fifty rupees.

(1B)  Reduction in tax in the cases of salaried tax payers.-

 (1)   The income tax liability on income of salaried tax payers, where any income chargeable under the head “salary” exceeds 50% of total income as determined under paragraph A or A1 of Part-I of the First Schedule, shall be reduced at the following rates:-

|  |  |  |
| --- | --- | --- |
| S.No. | Income Slab | Reduction in Tax Liability |
| 1. | Where income does not exceed Rs. 60,000 | 80% |
| 2. | Where income exceeds Rs. 60,000 but does not exceed Rs. 80,000 | 70% |
| 3. | Where income exceeds Rs. 80,000 but does not exceed Rs. 100,000 | 60% |
| 4. | Where income exceeds Rs. 100,000 but does not exceed Rs. 150,000 | 50% |
| 5. | Where income exceeds Rs. 150,000 but does not exceed Rs. 200,000 | 40% |
| 6. | Where income exceeds Rs. 200,000 but does not exceed Rs. 300,000 | 30% |
| 7. | Where income exceeds Rs. 300,000 but does not exceed Rs. 500,000 | 20% |
| 8. | Where income exceeds Rs. 500,000 but does not exceed Rs. 1,000,000 | 10% |
| 9. | Where income exceeds Rs. 1,000,000 | 5% |

Provided that serial number 1 and the entries relating thereto shall not apply in respect of an assessment for the assessment year commencing on or after the 1st day of July, 2002.

(2)    in addition to the reduction specified in sub-clause (1), the tax payable by a  full time teacher or a researcher, employed in a non profit education or research  institution including government training and research institution duly recognised by a Board of Education or a University or the University Grants Commission, shall be further reduced by an amount equal to 50% of the tax payable after the aforesaid reduction.

 (3)   The reduction  in tax liability in sub-clauses (1) and (2) shall be applicable for the purposes of tax withholding under sub-section (1) of section 50 from the first day of July, 2000 and for the purposes of assessment from assessment year 2001-2002.

*Reduction in tax in consequence of devaluation or revaluation of rupee.*

(2)   The amount of tax payable, in a year in which the rupee is revalued or devalued, by an assessee whose profits or gains are computed in accordance with the rules contained in the Fifth Schedule to this Ordinance and who had entered with the Government into an agreement which provides for such reduction, shall be reduced to the amount that would be payable in the absence of the revaluation or devaluation of the rupee.

(11) Where any company engaged in the business of distribution of cigarettes manufactured in Pakistan is required to pay minimum tax on the amount representing its turnover under section 80D, the amount of tax payable under the said section shall be reduced by eighty per cent.

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**PART IV**

**EXEMPTION FROM SPECIFIC PROVISIONS**

Incomes, or classes of income, or persons or classes of persons, enumerated below, shall be exempt from the operation of such provisions of this Ordinance, subject to such conditions and to the extent, as are specified hereunder:-

*Carry forward of losses of undertakings in Export Processing Zone.*

(1)   In the case of losses referred to in section 35 in respect of an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the period of six assessment years specified in the said section shall not apply.

(2)   The provisions of section 80D shall not apply to National Investment (Unit) Trust or a Mutual Fund established by Investment Corporation of Pakistan or an investment company registered under the Investment Companies and Investment Advisors Rules, 1971 or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange.

(2A) The provisions of sub-sections (2), (2A), (4A) and (7D) of section 50 shall not apply to any person making payment to National Investment (Unit) Trust or a mutual fund established by the Investment Corporation of Pakistan or an investment company registered under the Investment Companies and Investment Advisers Rules 1971 or a unit trust scheme constituted by an Asset Management Company registered under the Asset Management Companies Rules, 1995.

*Allowance of perquisites paid by certain corporations.*

(3)   The provisions of clause (i) of section 24 shall not apply to any expenditure incurred by a banking company or a financial institution owned and controlled by the Federal Government on the provisions of perquisites, allowances or other benefits to any employee in pursuance of any law.

(5)   The provisions of section 13, Chapter X1 or Chapter XII shall not apply in respect of any amount invested in the acquisition of Special National Fund Bonds issued under the Special National Fund Bonds Rules, 1985.

(6)   The provisions of section 13, Chapter XI or Chapter XII shall not apply in respect of any amount invested in the acquisition of Foreign Exchange Bearer Certificates issued under the Foreign Exchange Bearer Certificates Rules, 1985.

(6A) The provisions of section 13, Chapter XI or Chapter XII shall not apply in respect of any amount of foreign exchange deposited in a private foreign currency account held with an authorised bank in Pakistan in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan:

Provided that the exemption under this clause shall not be available in respect of any incremental deposits made on or after the 16th day of December, 1999, in such accounts held by a resident person or in respect of accounts deposited in accounts opened on or after the said date by such person.

(6B) The provisions of section 13, Chapter XI or Chapter XII shall not apply in respect of any amount invested in the acquisition of U.S. Dollar Bearer Certificate issued under the U.S. Dollar Bearer Certificates Rules, 1991.

(6C) The provisions of section 13 or Chapter XI or Chapter XII shall not apply in respect of any amount invested in the acquisition of "Three Years Foreign Currency Bearer Certificates issued under the Foreign Currency Bearer Certificates Rules, 1997.

(6D) The provision of section 13 or Chapters XI and XII shall not apply in respect of rupees withdrawn or assets created out of such withdrawal in rupees from private foreign currency accounts, or encashment of Foreign Exchange Bearer Certificates, US Dollar Bearer Certificates and Foreign Currency Bearer Certificates.

(6E) The provisions of section 13 or Chapter XI or Chapter XII shall not apply in respect of any amount invested in acquisition of ownership or management and control of any state owned enterprise privatized by the Government:

Provided that the exemption under this clause shall not be available on or after the 16th day of December, 1999.

(6F) The provisions of section 13 or Chapter XI or Chapter XII shall not apply in respect of any amount invested in purchasing of any land or any other assets sold through public auction by the Federal Government or a Provincial Government or a body established or controlled by such Government:

Provided that the exemption under this clause shall not be available on or after the 16th day of December, 1999.

(6FA) The provisions of section 13 or Chapter XI or Chapter XII of the Income Tax Ordinance, 1979 (XXXI of 1979), shall not apply in respect of any amount invested in purchase of any plots of land sold by the Capital Development Authority, Islamabad through public auctions conducted on the 16th, 17th, 23rd and 26th days of February, 1998.

(6G) The provisions of section 13 or Chapter XI or Chapter XII shall not apply in respect of any amount invested by a sponsor or an original allottee in the purchase of share's of a company owning and managing an industrial undertaking specified in rule 5A of the Third Schedule.

(6H) The provisions of section 13 or Chapter XI or Chapter XII shall not apply in respect of any amount invested in the purchase of assets auctioned or sold as a consequence of a court order or decree in a case filed by a banking company or a DFI whose management or control vests in the Federal or a Provincial Government:

Provided that the exemption under this clause shall not be available on or after the 16th day of December, 1999 onwards.

(6HA) The provisions of section 13 or Chapters XI and XII shall not apply in respect of any amount invested by a Foreign Currency Account holder in the purchase of Special US Dollar Bonds, issued under the Special US Dollar Bond Rules, 1998:

Provided that the exemption under this clause shall not be available in respect of the amounts invested in the Bonds purchased out of incremental deposits made in the existing foreign currency accounts on or after the 16th day of December, 1999, or out of the foreign currency accounts opened on or after the said date.

(6HB) The provisions of section 13, Chapters XI or XII of this Ordinance shall not apply in respect of any amount paid by the 16th November, 1999, towards the settlement of debt owed to a banking company or a financial institution or by way of any tax or other Government dues.

(7A) The provisions of section 13, Chapter XI and Chapter XIII of this Ordinance shall not apply in respect of any amount as is invested in the purchase of a ship, by an assessee being a Pakistani and resident in Pakistan; provided that the ship has been imported and registered in Pakistan or will be imported and registered upto the 30th day of June 2000.

(8)   The provisions of sub-section (7) of section 50 shall not apply in respect of any person.

(9)   The provisions of section 80C in so far as they relate to payments on account of the supply of goods on which tax is deductible under subsection (4) of section 50 shall not apply in respect of any person, being a manufacturer of such goods, unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the income year and such declaration shall be irrevocable and shall remain in force for three years.

Provided further that nothing contained in this clause shall apply to any manufacturer of goods for which special rates of deduction of tax are specified under clause (c) of sub-section (4) section 50.

(9A) The provisions of section 80C shall not apply in respect of a non-resident person unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in Writing within three months of the commencement of the income year and such declaration shall be irrevocable and shall remain in force for three years.

(9B)  The provisions of sub-section (4) of section 50 shall not apply in respect of payment received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under sub-section (5) of section 50.

(9C) The provisions of section 80C shall not apply in respect of payments received by a resident person for providing services by way of operation of a container or chemical or oil terminal at a sea-port in Pakistan or of an infra-structure project covered by the Government's Investment Policy, 1997.

(10B)  The provision of sub-section (7D) of section 50 shall not apply in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999.

(10C) The provisions of sub-section (2) of section 50 shall not apply to any payment made by way of interest earned by banks on Foreign Currency Bearer Certificates issued under the Three-Years Foreign Currency Bearer Certificates Rules, 1997, discounted by them and held in their own portfolios.

(10D) The provisions of sub-section (7D) of section 50 shall not apply to any payment made by way of profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt.) Limited (PHDCL).

(12) The provisions of clause (30) of section 2 in so far as these relate to the application of rate of tax under sub-paragraph (3) of Paragraph A of Part IV of the First Schedule shall not apply to an individual being-

(i)     a Government servant staying abroad on official assignment or with the permission of the Federal Government or Provincial Government; and

(ii)    a Pakistani student, teacher or scholar staying abroad for studies or research;

(iii)   a Pakistani national who is not resident in Pakistan in any year and not earning any income abroad.

(14) The provisions of section 80D, in so far as they relate to turnover on account of sale of petroleum and petroleum products shall not apply to petroleum dealers, notwithstanding there status as a company, a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon:

Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies and registered firms engaged in distribution of petroleum and petroleum products.

*Explanation.- For the removal of doubt it is declared that the companies and registered firms engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption.*

(14) The provisions of section 80D shall not apply to Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity.

(15) The provisions of sub-sections (4) and (5) of section 50 and section 80C shall not apply to tractors imported and supplied by the Agricultural Development Bank of Pakistan or by the importers authorized by the Ministry of Food, Agriculture and Livestock or the Agricultural Development Bank of Pakistan under the Awami Tractors Scheme.

(16) A company registered and authorised by the Federal Government to import gold and silver shall be liable to pay tax on import of gold at the rate of two rupees per eleven grams six hundred and sixty four milligrams and five rupees per kilogram in the case of silver in accordance with the provisions of sub-section (5) of section 50 and such payment of tax shall be deemed to be full and final liability of tax in respect of income accruing from such import including liability of tax under sections 80C and 80D.

(17) The provisions of sub-section (5) of section 50 shall not apply to goods or classes of goods imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and Hub Power Company Limited.

(17B) The provisions of sub-section (5) of section 50 shall not apply to such specially equipped motor vehicle or support equipment imported by a disabled person, as is allowed by the Federal Government.

 (17C) The provision of sub-section (5) of section 50 shall not apply in case of such goods imported into Pakistan as are exempt from customs duty and sales tax under SROs 360(I)/2000, 362(I)/2000 and 363(I)/2000 dated 17.6.2000.

(19) The provisions of section 50 read with sections 80C and 80CC of the Income Tax Ordinance, 1979, shall not apply to Expo Centers Limited in respect of income for the period of exemption under clause (154A) of Part I of this Schedule.

(20) The provisions of section 80D shall not apply to companies, qualifying for exemption under clause (176) of Part-I of this Schedule, in respect of receipts from sale of electricity.

(21) The provisions of sections 50 and section 80D shall not apply to the institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network:

Provided that such institutions shall continue to collect and deduct tax under section 50 from others persons, wherever required thereunder **:**

Provided further that in respect of application of section 80D, this clause shall take effect from the first day of July, 1991.

(22) The provisions of sub-section (5) of section 50 shall not apply to vehicles imported under the Yellow-Cab Scheme and sold to serving and retired civil and armed forces personnel.

(22A) The provisions of sub-section (5) of section 50 shall not apply, during the period between the twenty-second day of June, 2000, and the twenty-second day of September, 2000, to all such unsold or undisclosed vehicles as were imported under the Yellow Cab Scheme and are held by an  importer or a title or lien holder or an official assignee.

(23) The provisions of section 80D, shall not apply to local authorities, qualifying for exemption under clause (88) and other than corporate, Government or semi-Governmental bodies, not otherwise liable to income tax:

Provided that nothing contained in this clause shall be construed to authorise any refund of tax already paid or the collection of any outstanding demand created under the said section.

(26) An expatriate individual, who by virtue of his stay in Pakistan in connection with his employment becomes a resident, shall not be liable to tax in respect of income accruing or arising to him outside Pakistan other than the income derived from a business controlled in or a profession or vocation set up in Pakistan or unless it is brought into or received in Pakistan by him during such income year.

(27) The provisions of section 80D shall not apply to the assessee exempted from tax under clause (182) of Part I of this Schedule for the period the said assessee continues to be entitled to the benefit of the exemption under that clause.

(28) In the case of companies engaged in the manufacture of fertilizers, the provisions of clause (c) of sub-rule (1) of rule 5 of the Third Schedule shall apply with effect from the income year commencing on or after the 1st day of July, 1996.

(29) The provisions of section 80D shall not apply to Pakistan Red Crescent Society.

(30) The provisions of sub-section (2) and (7D) of section 50 and section 80D shall not apply to non residents, (excluding local branches or subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan), in respect of their receipts from Pak rupees denominated Government and corporate securities and redeemable capital, as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on a registered stock exchange, where the investments are made exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan.

(31) the provisions of section 13, Chapter XI or Chapter XII shall not apply in respect of any amount deposited in the Qarz-e-Hasna Scheme under the Prime Minister's Fund for National Debt Retirement.

(31A) The provisions of section 13, Chapter XI or Chapter XII shall not apply in respect of any amount donated to the National Self Reliance Fund.

(32) The Provisions of section 80D shall not apply to the companies specified in entry (115C) of Part-I of this Schedule, for the assessment years 1998-99, 1999-2000 and 2000-2001.

(32) Subject to the conditions as specified in clause (184) of Part I of the Second Schedule, the provisions of section 80D shall not apply to a special purpose vehicle formed for the purpose of securitization.

(32A) The provisions of section 80D shall not apply to special purpose, non-profit companies engaged in securitizing the receivables of Provincial Governments or the companies.

(32B) The provisions of section 80D shall not apply to a charitable institution which is approved under clause (d) of sub-section (1) of section 47 or clause (62) or is specified in clause (62) or  clause (91) of Part-I of the Second Schedule to this Ordinance.

(32C) The provisions of section 80D shall not apply to an assessee who qualifies for exemption under clause (179) of Part-I of the Second Schedule to this Ordinance.

(32E) The provisions of section 80-D shall not apply to a venture capital company and venture capital fund which is exempt under clause (102G) of Part - I.

(32F) The provisions of section 80D shall not apply to a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980).

(32G) Nothing in section 80D shall apply to Corporate and Industrial Restructuring Corporation.

(33) The provisions of sub-section (4) of section 50, in so far as they relate to the obligation of a registered firm to deduct tax, shall not apply to a registered firm whose capital (total of closing balances of capital accounts of partners) as per the balance sheet in respect of the latest assessment year is less than one million rupees: Provided that, this exemption shall cease to be applicable to a registered firm if, at the end of any income year, its capital exceeds the aforementioned amount.

(33A)  The provisions of sub-section (4) of section 50 shall not apply to payments received by Pak-Arab Refinery Limited on account of supply of its products.

(33B) The provisions of sub-section (4) of section 50 shall not apply to the payment received by M/s. Total PARCO Pakistan Limited for the supply of Petroleum Products.

(34) The provisions of clauses (ff) of section 24 shall not apply in respect of payments made on account of-

(a)    transactions which do not exceed five thousand rupees;

(b)    any amount credited by direct transfer of funds to the assessee's employee's bank account for reimbursement of expenses incurred on behalf of such assessee;

(c)    freight charges or passenger fare to an airline or railways or a goods carriage company; and

(e)    discharge of a statutory obligation like payment of duties, taxes, octroi, export tax, fines, fees, cesses or levies.

(35) Notwithstanding anything contained in clause (fff) of section 24, the provisions of the said clause shall not apply to any salaries except salary exceeding Rs. 5,000 per month which is not paid through a crossed cheque or by direct transfer of funds. to such employee's account.

(36) The provisions of sub-section (7F) of section 50 shall not apply where the subscriber is a non-taxable charitable institution.

(37) The provisions of sub-section (4) of' Section 50 shall not apply to an indirect exporter as defined in the Duty and Tax Remission for Export Rules, 2001, issued under Notification No. S.R.O. 185(I)/2001, dated the 21st March, 2001.

(37A) The provisions of sub-section (4) of section 50 shall not apply to any manufacturer-cum-exporter as a payer:

Provided that --

(a)    the manufacturer-cum-exporter shall deduct tax payments made in respect of goods sold in Pakistan;

(b)    if tax has not been deducted from payments on account of supply of goods in respect of goods sold in Pakistan, the tax shall be paid by the manufacturer-cum-exporter, if the sales in Pakistan are in excess of five per cent of export sales; and

(c)    nothing contained in this clause shall apply to payments made on account of purchase of the goods in respect of which special rates of tax deduction have been specified in exercise of the powers under clause (c) of sub-section (4) of section 50 of the Income Tax Ordinance, 1979.

(38) The provisions of sub-section (5) of section 50 shall not apply to goods imported by direct and indirect exporters covered under :-

(i)     the Manufacturing in Bond Rules, 1997, issued under Notification No. S.R.O. 1140(I)/97, dated the 6th November, 1997;

(ii)    the Common Bonded Warehouse (Conventional) Rules, 1998 issued under Notification No. S.R.O. 843(I)/98, dated the 23rd July, 1998; and

(iii)   the Duty and Tax Remission for Export Rules, 2001, issued under Notification No. S.R.O. 185(I)/2001, dated the 21st March, 2001.

(39) The provisions of sub-section(2) of section 50 shall not apply in respect of any amount paid as interest or profit on Special US Dollar Bonds issued under the Special US Dollar Bonds Rules, 1998.

(40) The provisions of sub-section (2A) and (7D) of section 50 shall not apply to Pak rupee accounts or certificates referred to in clause (78E) of Part I of this Schedule.

(41) The provisions of sub-section (7A) of section 50 of the Income Tax Ordinance, 1979, shall not apply to the assets auctioned by Provincial Privatization Boards.

(41A) The provisions of sub-section (7A) of section 50 of the Income Tax Ordinance, 1979, shall not apply to the sale of surplus land made by Pakistan Railway through public auction.

(41B) The provisions of sub-section (7A) of section 50 of the Income Tax Ordinance, 1979, shall not apply to the Privatization Commission in respect of sale of public sector units, by public auction, made on or after the 22nd day of January, 1991.

(42) The provisions of sub-section (1) of section 50 of the Ordinance shall not apply, to an employer in so far as they relate to deduction of the amount of surcharge payable under clause (d) of paragraph B of Part III of the First Schedule to the Ordinance, in respect of income for the income year 1998-99.

(43) The provisions of section 54 and section 88 shall not apply, in respect of income chargeable to tax under the head "Salary", in so far as they relate to the payment of surcharge payable under clause (d) of paragraph B of Part III of the First Schedule to the Ordinance, provided that the employer deducts and pays such amounts in monthly instalments by the 31st day of May, 1999.

(44) The provisions of sub-section (3A) of section 47 shall not apply in case of donations made to Agha Khan Hospital and Medical College, Karachi:

Provided that this clause shall take effect from the 13th day of June, 1996.

(45) The provisions of sub-section (6) of section 50 of the Income Tax Ordinance, 1979, shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax under the Income Tax Ordinance, 1979.

(46) The provisions of sub-section (7B) of section 50 of the Income Tax Ordinance, 1979, shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax under the Income Tax Ordinance, 1979.

(47) The provisions of sub-section (7D) of section 50 of the Income Tax Ordinance, 1979, shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax under the Income Tax Ordinance, 1979.

(48) The provisions of sub-section (7E) of section 50 of the Income Tax Ordinance, 1979, shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax under the Income Tax Ordinance, 1979.

(49) The provisions of sub-section (7F) of section 50 of the Income Tax Ordinance, 1979, shall not apply to a person who produces a certificate from the Commissioner of Income Tax concerned to the effect that his income during the income year is exempt from tax under the Income Tax Ordinance, 1979.

(49A) The provisions of sub-section (7G) of section 50 shall not apply to a person who produces a certificate from the Commissioner of Income Tax to the effect that his income during the income year is exempt from tax under this ordinance.

(50) The provisions of sub-sections (1) and (3A) of section 50 of Income Tax Ordinance, 1979, shall not apply to M/s. Siddiq Sons Tin Plate Limited in respect of salaries of expatriate employees, royalty or technological and know-how fee for technical assistance for projects located in Special Industrial Zone, Windher, Balochistan, who have established L/Cs prior to the 31st January, 1996.

(51) The provisions of section 80C shall not apply in so far as they relate to income from import and supply of palm oil or edible oil imported by Trading Corporation of Pakistan from Malaysia under IDB Export Financing Scheme to the extent of U.S. $ 44 million and supplied to manufacturers of oil or ghee for their own consumption according to their rated capacity on no profit no loss basis.

(52) The provisions of sub-section (4) of section 50 shall not apply in respect of supply of palm oil or edible oil by Trading Corporation of Pakistan imported from Malaysia under IDB Export Financing Scheme to the extent of US $ 44 million to manufacturers of oil or ghee for their own manufacturing allocated to them on the basis of their rated capacity.

(53) The provisions of sub-section (5) of section 50 shall not apply in respect of palm oil or edible oil imported by Trading Corporation of Pakistan imported from Malaysia under IDB Export Financing Scheme to the extent of US $ 44 million, provided that entire oil is allocated to manufacturers of oil/ghee for their own manufacturing.

(54) The provisions of sub-section (5) of section 50 shall not apply in respect of goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs-duty under Notification No. S.R.O. 410(I)/2001, dated the 18th June, 2001, and the goods specified at S. Nos. 22 and 23 in Table II of the Notification No. S.R.O. 444(I)/2001, dated the 18th June, 2001.

(54A) The provisions of sub-section (5) of section 50 shall not apply to the three Denyo Diesel Engine Driven AC Generators imported vide invoice No. IT1-00151 dated 12-05-2000, bill of lading NO. NYKS002336581 dated 12-05-2000 from Japan.

(55) The provisions of sub-section (5B) of section 50 of the Income Tax Ordinance, 1979, shall not apply to any amount received on encashment of any bearer bonds issued under the Special US Dollar Bonds Rules, 1998.

(56) The provisions of sub-section (4) of section 50 of the Income Tax Ordinance, 1979, shall not apply in respect of payments received on account of supply of petroleum products by Attock Petroleum Limited.

(57) The provisions of sub-sections (2), (2A) and (7D) of section 50 shall not apply to special purpose vehicle for the purpose of securitization.

(58) The provisions of clause (vi) of Notification No. SRO 593(I)/91, dated the 30th June, 1991, shall not apply to any importer being an industrial undertaking engaged in the manufacture of vanaspati ghee or oil.

(59) The provisions of sub-section (9A) of section 12 shall not apply to -

(i)    a company listed on Stock Exchange which distributes profit equal to either forty per cent of its after tax profits or fifty per cent of its paid up capital, whichever may be the less;

ii)     a public company not listed on the stock exchange;

iii)    a trust or a company in which not less than fifty per cent shares are held by the Government; or

iv)    a leasing company as defined in the Leasing Companies (Establishment and Regulation) Rules 1996.

(60)  The provisions of sub-paragraphs (c) and (d) of paragraph B of Part III of the First Schedule to this Ordinance shall not apply to a person qualifying for assessment under the Universal Self Assessment Scheme made under sub-section (1) of section 59 of this Ordinance for the assessment year 1999-2000.

(61)  The provisions of paragraph C of Part V of First Schedule to this Ordinance, in so far as these relate to surcharge, shall not apply in respect of any assessment commencing on or after the 1st day of July, 2000.

(62)  The provisions of sub-section (5) of section 50 shall not apply in respect of machinery, equipment and material imported by Civil Aviation Authority or by consortium of Arrays ATM Limited/Joannos and Paraskevaides (Overseas) Limited for the construction of New Passenger Terminal Complex and related facilities at Lahore International Airport subject to the fulfillment of conditions laid down in Notification No. SRO 767(I)/2000, dated 23rd October, 2000.