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Basics

- taxable on receipt basis
- No deduction and no loss adjustment against salary
- Pakistan source if
  - Employment exercised in Pakistan
  - Paid by Government
- Foreign source
  - Salary, exempt if
    - foreign income tax paid
    - Citizen of Pakistan leaves Pakistan during the tax year and remains abroad during that tax year
  - Income (including Salary), exempt for 2 tax years
    - Conditions
      - Citizen of Pakistan
      - Non-resident for 4 consecutive tax years
  - Income (including salary), exempt if
    - resident individual solely by reason of his employment
    - Present in Pakistan not more than 3 years
- Compensation on termination of employment
  - May be taxed @ average rate of 3 preceeding tax years
  - at the option of the taxpayer

Employee share scheme

- Right option disposed off
  - Consideration received
  - less
  - Consideration paid for grant of right
- Shares issued
  - Fair value of shares
  - Less
  - Consideration paid
    - grant of right
    - purchase of shares
- Lock-in period
  - Fair value of shares at the end of lock-in period
  - Less
  - Consideration paid
    - grant of right
    - purchase of shares (Exercise price)
- Capital Gain
  - Consideration
  - Less
  - Cost of shares (FV at issue)
    - Consideration paid
      - grant of right
      - purchase of shares (Exercise price)
    - taxable amount representing gain

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Perquisites

Conveyance

- for official use only      No addition
- for personal and official use      5% of Cost or FMV (in case of leased vehicle)
- for personal use only      10% of Cost or FMV

Accommodation

- higher of
  - Fair Market Rent
  - 45% of MTS or basic salary

Utilities and domestic servants      Fair Market Value Less any payment made by employee

Interest free loan

- 10% if no interest is charged
- Differential if rate is less than 10%
- except for loans not exceeding Rs. 1000,000

Other assets given e.g laptop      Depreciation or rental paid by employer

Gratuity

- fully exempt
  - Government employees
  - Gratuity fund approved by commissioner
- Rs. 300,000      Gratuity scheme approved by board

Lower of      75,000 & 50% of amount receivable      Unapproved gratuity scheme / fund

Except

- Payment not received in Pakistan
- Received by director
- Received by non- resident
- From same employer or its associate
- Employee who has already received any gratuity

Conveyance allowance

- provided for official duty      exempt
- provided for personal purposes      taxable

examples

- food      by hotels or restuants
- education      by educational institution to employee's children
- medical treatment      by hospital / clinic to its employees

Perquisites without margial cost to employer      exempt

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