

KHILJI & CO.

**Chartered
Accountants**

**TAX CREDITS AND ADVANCE
TAX ADJUSTMENTS
FOR THE YEAR ENDING 30
JUNE 2017
INCOME TAX ORDINANCE,
2001**

FOREWORD

This note is prepared for the benefit of employees and clients of Khilji & Co. Chartered Accountants. The note identifies certain benefits to employees however the benefits are subject to certain conditions not detailed here for the sake of brevity therefore the note may kindly be read with applicable legal provisions mentioned hereunder.



This has always been a pleasure to be of service to our clients.

Sharif Uddin Khilji (FCA)
Chief Executive
Khilji & Co Chartered Accountants
June 6, 2017



1. TAX CREDITS

Currently *tax credit* can be availed in following cases:

Charitable Donations (Section 61)

-  Tax credit on *donation* paid during the year to certain approved Government & Private Institutions through cross cheque or in kind is available subject to certain conditions
-  The tax credit is allowed on the *average tax rate* applicable to employee's salary on a *maximum donation* of 30% of the employee's taxable income for the year.

INVESTMENT IN PUBLIC COMPANY SHARES / OPEN ENDED FUNDS OR LIFE INSURANCE (Section 62)

-  Tax credit can be availed by the following payments during the year subject to certain conditions:
 - Investment in new shares of a listed
 - Company o life insurance premium paid
-  Tax credit is available at average rate of tax with a cap of lower 20% of taxable income and Rs.1,500,000.

INVESTMENT IN HEALTH INSURANCE (Section 62-A)















- ✚ Tax credit can be availed for payment of health insurance premium subject to following conditions :
 - Premium paid by a resident and filer person
 - Tax credit only available to AOP/Individual
 - Adjustable against “salary” and “income from business” only
- ✚ Tax credit is available at average rate of tax with a cap of lower 5% of taxable income and Rs.100,000.

On contribution to an Approved Pension Fund (Section 63)

- ✚ Tax credit is also allowed on payment of *contribution / premium* to any pension fund approved under Voluntary Pension System Rules 2005.
- ✚ In case where employee has invested in Pension Fund through a withdrawal from his Provident Fund, **that contribution shall not be considered for tax credit.**
- ✚ A person joining at the age of 41 or above can avail further credit of 2% of for each year of age after 40 subject to maximum credit of 50% of last year taxable income
- ✚ The tax credit is allowed on the *average tax rate* applicable to employee’s salary with a cap on a *maximum contribution* of 20% of employee’s taxable income for the year.

2. ADVANCE TAX

FBR collects tax from individuals on various transactions. Such tax is treated as advance tax and adjustable against final tax liability of employee. The list is given below where tax is collected by FBR and can be claimed as adjustment by employee by providing evidence to employer before payment of June (last) salary:

-  On foreign income tax paid (Section 103)
-  On cash withdrawal from banks (Section 231A)
-  On Banking Transactions (Section 231AA & 236P)
-  On Purchase/registration of new car (Section 231B)
-  On annual renewal of car registration (Section 234)
-  On telephone (including mobile phone) (Section 236)
-  Advance tax on goods purchased at auction (Section 236A)
-  Advance tax on purchase of air ticket (Section 236B & 236L)
-  Advance Tax on sale/purchase or transfer of immovable Property (Section 236C & 236K)
-  Advance tax paid on functions in hotels, marriage halls etc. (Section 236D)
-  Advance tax paid with educational fees (Section 236I)
-  Advance tax paid on purchase of international air tickets (Section 236L)
-  Advance tax paid on educational expenses remitted abroad (Section 236R)
-  Advance tax on insurance premium from non-filers (Section 236U)