

## **MINIMUM TAX**

### **Section 113**

#### **Sec.113. MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS:**

This section shall apply to:

- a) To a Resident Company:
- b) To an individual( having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent tax year): and
- c) To an association of persons (having turnover of fifty million rupees or above in the tax year 2007 or in any subsequent tax year)

Minimum tax at the rate of 0.1% percent of turnover which is:

- i. Not liable to pay tax or has not paid tax for the tax year for any reason whatsoever; or
- ii. Liable to pay tax or has paid tax less than 1% percent of its turnover from all sources of the tax year.

Minimum tax will not be applicapable to a resident Company declaring gross loss before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001. Commissioner has the power to ignore the loss and to compute the tax as per historical accounting pattern in accordance with the provision of the Section and All other provision of the ordinance shall apply accordingly.

The term turnover was abolished by the Finance Bill 2008 has been re-introduced and the same has been defined as:

- Gross sale or gross receipts from sale of goods excluding sales tax, Federal excise Duty (**FED**) and trade discount shown on invoices or bills.
- Gross sale or gross fees for rendering of services or benefits including Commission.
- Gross receipts from the execution of contract ; and

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- A resident company's share of aforesaid gross receipts and fees of an Association of Persons (**AOP**) of which such company is a member.

However, gross sale, gross receipts and fees subject to final taxation Regime have been excluded for determining turnover.

Minimum tax paid in excess of actual tax shall be carried forward and adjusted against tax liability for subsequent five tax years which means that initially a person had to pay advance income tax for the tax year @ 1.5% as against 1% levied as per clause 11 above (instead of actual tax payable for the year).

Minimum tax is payable for a tax year shall be due for payment on the date of furnishing the resident company's return of income for the relevant tax year.

Various exemptions earlier available to certain institutions from the application of Section 113 have also been re-introduced.

Small companies are now excluded in the list of exemption clause in the earlier years whereas now small companies are liable to pay minimum tax @ 1%. Percent of its turnover.