



**INSPECTORS INLAND REVENUES  
ACADEMY**

[www.iirs.online](http://www.iirs.online)



**آسان لیکچر سیریز**

***LECTURE NO: 02 of the***

***Income Tax Ordinance 2001***



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Welcome to IIR Academy







[www.iirAcademy.Com](http://www.iirAcademy.Com)



[www.iirAcademy.Com](http://www.iirAcademy.Com)

# Certificate of Success for Humans

وَأَنَّ لَيْسَ لِلْإِنْسَانِ إِلَّا مَا سَعَى ﴿٣٩﴾ وَأَنَّ  
سَعْيَهُ سَوْفَ يُرَى ﴿٤٠﴾ ثُمَّ يُجْزَاهُ الْجَزَاءَ  
الْأَوْفَى ﴿٤١﴾

اور یہ کہ انسان کو وہی ملتا ہے جس کی وہ  
کوشش کرتا ہے ﴿٣٩﴾ اور یہ کہ اس کی کوشش  
دیکھی جائے گی ﴿٤٠﴾ پھر اس کو اس کا پورا  
پورا بدلا دیا جائے گا ﴿٤١﴾

**The beautiful verse of the holy Quran, Chapter 53 Surah**

**Najm verse 39-41:**

# Lecture By:

Mohammad Junaid  
Inspector Inland Revenue @  
Federal Board of Revenue



SUBSCRIBED



**Watch the Completely Free series of Sales tax and Federal Excise  
Duty Lectures on Our Youtube Channel**



# To Download Our Handouts: Join Our Paid Course

The screenshot shows a web browser window with several tabs open: Facebook, Bing Microsoft Translat..., Inspector Inland Reven..., Inspector Inland Reven..., Blogger: Settings, and New Tab. The address bar shows the URL e.iiracademy.com. The website header features the logo of the Inspectors Inland Revenues Academy, which includes a circular emblem with a scale of justice and a checkmark, and the text "INSPECTORS INLAND REVENUES ACADEMY" in Arabic and English. Below the logo is a red banner with the text "Premium Student Portal". The navigation menu includes links for HOME, ENGLISH, INCOME TAX, SALES TAX, FED, ECONOMIC POLICIES & TAX REFORMS, and ONLINE MCQS TESTS. The main content area displays the date "28 September 2021" and the title "Sales Tax Act Lecture 19". A large white box with red and black text reads "SALES TAX Lecture 19" and "Watch & Listen On YouTube" with a play button icon. On the right side, there is a search bar labeled "Search This Website" and a "Search" button. Below the search bar are sections for "Labels" (ECONOMIC POLICIES & TAX REFORMS, ENGLISH, FED, INCOME TAX, ONLINE MCQS TESTS, SALES TAX) and "Blog Archive" (September 2021 (20), August 2021 (17)). At the bottom, there is a "Teachers" section listing "IIR Academy" and "Muhammad Asad". The Windows taskbar at the bottom shows various application icons and the system tray with the date and time "12:38 PM 28/09/2021".

# Contact Us Via WhatsApp



**Simply Text US:**

**0300-1004803**



*For Instance Response E.Mail @*

**Junaid1020@Gmail.com**

**iTIME**



# Addiction





Income Tax

# INCOME TAX



**INCOME FROM SALARY**

# INCOME FROM SALARY

## INCOME FROM SALARY

Salary means any amount

**RECEIVED** by an **EMPLOYEE** from

any **EMPLOYMENT**, whether of a

revenue or capital nature:



# INCOME FROM SALARY

## Key Definitions - Salary

**EMPLOYEE** means any individual engaged in employment;

**EMPLOYER** means any person who engages and remunerates an employee;

**EMPLOYMENT** includes –

- (a) a directorship or any other office involved in the management of a company; ■
- (b) a position entitling the holder to a fixed or ascertainable remuneration; or
- (c) the holding or acting in any public office;

# INCOME FROM SALARY

## Receipt of Income

**69. Receipt of income.**—A person shall be treated as having received an amount, benefit, or perquisite if it is —

- (a) **actually received** by the person;
- (b) **applied on behalf of the person**, at the instruction of the person or under any law; or
- (c) **made available** to the person.

# INCOME FROM SALARY

## Circumstances – Due Basis

### **110: Salary paid by private companies. —**

Commissioner might include Salary of an earlier tax year in the calculation of Income for that Earlier Year if in his opinion Salary was Deferred

### **12(7) Salary Received in Arrears:**

Option for taxpayer to elect salary to be taxed as if it was received in a relevant tax year



# INCOME FROM SALARY

## What Constitutes Salary

- 1) Remuneration
- 2) Allowances
- 3) Perquisites
- 4) Amounts in addition to Salary
- 5) Post Employment Benefits
- 6) Tax paid on Salary (Tax on Tax)
- 7) Employee Share Scheme
- 8) Reimbursement of Personal Expenditure



# INCOME FROM SALARY

## Remuneration

- 1) Pay
- 2) Wages
- 3) Other remuneration including
  - 1) Leave pay,
  - 2) Payment in lieu of leave,
  - 3) Overtime payment,
  - 4) Bonus,
  - 5) Commission,
  - 6) Fees,
  - 7) Gratuity or
  - 8) Work condition supplements

# INCOME FROM SALARY

## Allowances

- 1) Cost of living,
- 2) Subsistence,
- 3) Rent,
- 4) Utilities
- 5) Education ■
- 6) Entertainment
- 7) Travel allowance

**SHALL NOT INCLUDE ANY ALLOWANCE SOLELY  
EXPENDED IN THE PERFORMANCE OF THE EMPLOYEE'S  
DUTIES OF EMPLOYMENT;**

# INCOME FROM SALARY

## Perquisites

## Non-Cash Benefits

**General Rule=** FMV of Benefit **LESS** Paid by Employee

- 1) Motor Vehicle
- 2) Interest Free Loan
- 3) Rent Free Accommodation / Housing
- 4) Amount Waived by Employer
- 5) Obligations of Employee Settled
- 6) Property Transferred
- 7) Domestic Servant
- 8) Utilities
- 9) Any other Perquisites

# Perquisites

## 1) Motor Vehicle

(i) Partly for personal and partly for official use	5% of:	<p>(a) the cost to the employer for acquiring the motor vehicle; or,</p> <p>(b) the fair market value of the motor vehicle at the commencement of the lease, if the motor vehicle is taken on lease by the employer;</p>
(ii) For personal use only	10% of:	<p>(a) the cost to the employer for acquiring the motor vehicle; or,</p> <p>(b) the fair market value of the motor vehicle at the commencement of the lease, if the motor vehicle is taken on lease by the employer; and</p>



## **Perquisites**

### **2) Interest Free Loan**

Applicable on a loan made, on or after the **1<sup>st</sup> day of July, 2002**, by an employer to an employee;

- a) No Profit is payable; or
- b) Profit on Loan is less than Benchmark Rate (10%);

Amount to be included in Salary is

- 1) Profit on loan computed at the benchmark rate, where no profit on loan is payable by the employee, or
- 2) Difference B/w Profit on Loan Paid and Profit Computed Using Benchmark Rate

**Provided further that this sub-section shall not apply to loans not Exceeding five hundred thousand rupees.**

# INCOME FROM SALARY

## Perquisites

### 3) Rent Free Accommodation:

Amount to be included in salary :

Fair Market Rent	400,000
45 % of MTS or Basic	<u>325,000</u>
<b>Amount to be included in Salary</b>	<b><u>400,000/-</u></b>

Basic Salary shall be applicable only when there is no MTS

*Amount in  
Addition to  
Salary*

# INCOME FROM SALARY

## Amounts in Addition to Salary

- 1) Joining Allowance
- 2) Modification to Employment Conditions
- 3) Termination Payments**
- 4) Withdrawal from Provident Funds (excluding Employees proportion)
- 5) Payments for Restrictive Covenants



## Termination Benefits

An employee may by notice in writing to the Commissioner, elect for the amount to be taxed at the rate computed in accordance with the following formula, namely: —

$$A/B\%$$

where —

**A** is the total tax paid or payable by the employee on the employee's total taxable income for the three preceding tax years; and

**B** is the employee's total taxable income for the **three preceding tax years**.

## Termination Benefits

MFD Ltd paid a sum of Rs. 500,000 under the Golden Hand shake scheme to Mr X in addition to the taxable salary of Rs. 1,600,000 in the tax year 200Z. The past three years assessed tax results of his assessment are as under:

Tax year	Taxable Income	Tax Liability (Say)
<b>2017</b>	<b>1,450,000</b>	<b>159,500</b>
<b>2018</b>	<b>1,200,000</b>	<b>120,000</b>
<b>2019</b>	<b>800,000</b>	<b>80,000</b>
Total	3,450,000	339,500

Mr. X is interested to know the options available to him for taxation of Golden Hand shake scheme for the tax year 200Z.

***Next Lecture >***

***Post Employment  
Benefits***

**Sales Tax & Federal Excise Duty All lectures are Completely Free & Available at Our Channel**

*For Complete Live + Recorded Course of Income Tax, You need to join our Paid Course @ Very Nominal and Little Price*





# Contact for Registration



**Simply Text US:**

**0300-1004803**

Thanks

شکریہ