



# WEBINAR ON NON-RESIDENT TAXATION AND FILING OF TAX RETURNS - 2021

HELD  
ON  
AUGUST 21,  
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## ADDRESS



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# SPEAKERS



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## Preamble:

In our webinar on Non-Resident Taxation on Saturday, August 21, 2021 the participants raised various questions from which relevant questions to the topic have been selected and answered as follows:

### QUESTIONS / ANSWERS

**1. If I am earning salary outside Pakistan and earning Pakistani source income as well such as dividends and capital gains, then what is the relevant tax form that I need to file? Thanks**

**Answer:** As per Income Tax Ordinance, 2001, Section 11(5), non-residents only has to report Pakistan Source income in return of income. Therefore, you have to only report Pakistan Source income such as dividend and capital gain in return form mentioned in IRIS as 114(4) (Return of Income filed voluntarily for complete year).

**2. Since Pakistan taxes its residents on worldwide income, why was the definition narrowed down by the Finance Act 2021 for individuals? Will that not be detrimental for revenue collected from PIT?**

**Answer:** The declaration of worldwide income including by resident does not mean all foreign source income is taxable also in Pakistan, therefore narrowing of definition of individual to simplify taxation for non-resident will not affect revenue.

**3. What is PE?**

**Answer:** Permanent establishment (PE) is a place of business of a person in foreign country. The definition of PE is given in Section 2(41) of Income Tax Ordinance, 2001 and respective tax treaties.

**4. Do the non-resident individual who has Pakistan source income (like profit etc.) need to disclose its non-resident income in return filled in Pakistan. Many times, to reconcile the amounts in return you need to show remittances and assets. If a person earns say 10K USD but remit only 5K to Pakistan. Do he has to disclose whole 10K being foreign source income which will any ways will not be taxable? Do non-resident individual need to disclose also its foreign assets generated from foreign source income?**

**Answer:** The non-residents are not required to disclose their foreign source income as per Section 11(6) of ITO and are not required to file wealth statement/wealth reconciliation u/s 116. However, if non-resident file wealth statement/wealth reconciliation voluntarily they have to disclose whole of their foreign source income in wealth reconciliation and all foreign assets.

**5. What about capital gains and interest income through Roshan Digital Account? Would this be considered as Pakistan source income as well?**

**Answer:** The rules provided in Section 101 to determine Pakistan source income will be applicable on Roshan Digital account as well and it will be considered Pakistan Source income, however, the tax exemptions and waiver from filling of return is give in ITO.

**6. The non-resident person who remain in Pakistan by more than 181 days and could not travel due to COVID19 continue working from home from Pakistan, what will be the policy, is FBR has any clarification on this?**

**Answer:** No clarification has been issued by FBR in this case.

**7. If assets inside Pakistan and no Pakistan source of income. Do we require a NTN? Or not required. If there is no filing requirement, then in future if we need to buy additional assets, how it will appear on wealth statement?**

**Answer:** NTN will be required to be obtained in case any of the condition of filing of return under section 114 read with section 115 is met. In case there is no filing, any additional assets will appear as opening balance in wealth statement of first year of filing.

**8. Was there any clause which required filing of wealth statement if there is interest/profit on bank a/c or dividend? And hence NRPs were also required in that case to file wealth statement. This may be a common misunderstanding?**

**Answer:** Non-residents are not required to file wealth statement even if they have Pakistan source income. They are required to file return of income in case of they have Pakistan source income.

**9. Assalam o Alaikum. Sir could you please let us know how the remittances will be presented in Return for non-residents like if I have Pakistan source income and remit salary from KSA?**

**Answer:** Remittance is shown in wealth reconciliation statement u/s 116 which is not required to be filed by non-resident persons.

**10. When NRP return back to Pak how he should report all wealth he brings in Pak, as opening balance?**

**Answer:** Yes NRP will show all wealth in opening balance in tax year in which he/she becomes resident. Moreover, as Mr. Asif Haroon explained during webinar, these assets should have proper year wise money trail in taxpayer own records.

**11. Sir If a Pakistani resident selling digital products online on international marketplaces and earning 10,000 USD or more/less per year then which return he has to file?**

**Answer:** This will be treated as Pakistan Source Business income and may be treated as export of services or export of computer software/IT/IT enabled services. Accordingly, he will be required to file statement under section 115 or return of income under section 114, respectively. In addition to statement or return of income, he will also be required to file wealth statement.

**12. If status on FBR website is non-resident than why e-filing not let you only file return of income without wealth statement?**

**Answer:** Wealth Statement is now made integral part of return and it will remain attach even if you opt for non-resident status so it is technical glitch in their system. In this case Null (not zero) wealth can be filed and it will be deemed as the person has not filed wealth statement. It is also necessary that you check mark non-resident in attributes section of the return.

**13. Do non-residents have to file tax return on their dividend income, on which withholding tax has already been deducted at source?**

**Answer:** Yes non-residents are required to file only return of income if they have Pakistan Source income such as dividend on which withholding tax has been deducted.

**14. May i know the reference that we do not need to even disclose foreign source in our return being non-resident, we are disclosing on PSI (Capital Gain on Shares)?**

**Answer:** Section 11(6) of ITO requires that the income of a non-resident person under a head of income shall be computed by taking into account only amounts that are Pakistan-source income.

**15. Hi, what is income threshold if any non-resident have any income in Pakistan?**

**Answer:** The threshold for business income/income from property is Rs 400,000; for salary income Rs 600,000.

**16. Great presentation. Question - if a nonresident Pakistani owns and maintains a house in Pakistan but does not spend more than 183 days, does it affect residence status?**

**Answer:** Resident status depends upon no. of days irrespective of the fact that he owns property or not. If stay in Pakistan is less than 182 days, he will be treated as non-resident.

**17. Also one more question, if we have some investment in shares. Although there is no day to day trading. Will these be considered Pakistan source income and filing is required?**

**Answer:** Yes it will be Pakistan source income in accordance with rules prescribed in Section 101 of ITO.

**18. Sir, if I'm non-resident and have filed returns in the last 2 years, and I don't have any Pakistan source income, am I required to file tax return?**

**Answer:** No you are not required to file return of income. However, if you fall under other cases as mentioned in section 114, as detailed by Mr. Asif Haroon, (like having NTN, etc.), then you will be required to file return of income.

**19. Please advise the implications if a resident having income only under sec 102 becomes a non-resident in a year?**

**Answer:** If a person become non-resident he/she will not require to file return of income.

**20. What if gifter is not required to obtain NTN, then is it taxable in the hand of giftee?**

**Answer:** As per Section 39(3) the gift should be transferred through banking channel from a person holding NTN Tax Number, if a donor is not required to obtain NTN this condition is not required to be complied, however, the other conditions need to be complied.

**21. Is revision of Statement U/s.116A not allowed in law? As revision form is not available on IRIS?**

**Answer:** Yes there is no provision of revision of Statement u/s 116A of ITO.

**22. What is the taxability of crypto and forex trading?**

**Answer:** Earnings on crypto can be taxable in income from other sources as it is not mentioned in any other head of income, however income from other sources is taxable on receipt basis, therefore, and only realized incomes will be taxable. The forex trading if done as business it will be business income, otherwise it is income from other sources.

**23. At the time of first time registration with FBR, for how many years are returns required to be filled for the previous years?**

**Answer:** The person registering first time with FBR is required to file return for that year only. However, if he has taxable Pakistan source income in any of previous year(s), he should also file return(s) for that year(s) too.

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