

SALIENT FEATURES OF THE BUDGET 2011 - INCOME TAX

1. Relief Measures

- The basic exemption limit is proposed to be enhanced from Rs. 300,000 to Rs. 350,000 in case of individuals (both salaried and non-salaried persons as well as men & women).
- A tax credit equal to 100% of tax payable is proposed for industrial undertakings established on or after 1st July 2011, with 100% equity financing. This benefit is extended to the existing companies, if investment in their BMR exercise is also financed through their own 100% equity on or after by 1st July 2011.
- The rate of tax deductible on cash withdrawals from banks is proposed to be reduced to 0.2% from existing 0.3% for bringing in improvement in the liquidity position of eligible taxpayers.
- The maximum cumulative limit for tax credits available to individuals for investments in shares and for premium paid to insurance company is fixed @ 15% of the taxable income, with maximum upper limit for investment upto five hundred thousand rupees.
- Tax relief is proposed to be provided to withdrawals exceeding 50% of the accumulated balance of the taxpayer at or after the retirement age, under a Voluntary Pension Fund.
- The existing tax credit equal to 5% is proposed to be enhanced to 15% for encouraging companies' enlistment on stock exchange.
- The withholding tax on profit on debt deductible @ 10% is proposed to be a final tax in case of non-residents making investment in the Government securities. This measure will relieve the non-residents from the statutory requirement of filing of return of income to boost national economy.
- The withholding tax on profit on debt deductible @ 10% arising from investment in Government securities by individuals is also proposed to

be a final tax. This measure will relieve such taxpayers from the statutory requirement of filing of return of income, and will also encourage domestic investments in the Government Securities.

2. Documentation & Revenue Measures

- Individual taxpayers whose normal income is between Rs. 300,000 to Rs. 350,000 shall be required to file return of income, whereas the employers in case of salaried persons are required to file annual statements for the same threshold of Rs. 300,000 to Rs. 350,000 in a tax year.
 - CNIC and NTN of eligible taxpayers are proposed to be provided expressly alongwith other particulars, in the withholding tax statements filed by withholding agents for broadening of tax base and utilization of third party databases.
 - For the purpose of identification of eligible taxpayers, the requirement of mandatory filing of return of income by the commercial and Industrial consumers of electricity with annual billing above one million rupees is proposed.
 - In order to discourage the practice of arbitrage by banks for receiving 'dividends' from Asset Management Companies, the rate of tax on such return is proposed to be enhanced from 10% to 20%.
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