<u>SALIENT FEATURES</u>

<u>INCOME TAX</u>

1. For the welfare of individuals with *low income earnings*, the basic exemption limit is proposed to be enhanced from Rs.300,000/- to Rs.350,000/-. However individual taxpayers whose normal income is between Rs.300,000/- to Rs.350,000/- shall be required to file return of income and statement, for the purposes of documentation.

2. In order to encourage enhanced equity financing, and to provide relief to new corporate industrial undertakings established on or after 1st July 2011, with *100% equity financing*, a tax credit equal to 100% of tax payable is proposed. The existing companies may also take benefit under this arrangement if investment in BMR is financed through their 100% equity, on or after by 1st July 2011.

3. 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.

4. In order to harmonize the existing tax credits available to *individuals for investment in shares* and for *premium paid to* Insurance Company, the maximum cumulative limit for both the investments is fixed @ 15% of the taxable income, with maximum upper limit for investment upto five hundred thousand.

5. Tax relief is proposed to be provided to withdrawals exceeding Rs.500,000/- from a *Voluntary Pension Fund*.

6. For encouraging *companies' enlistment on stock exchange*, the existing tax credit equal to 5% is proposed to be enhanced to *15%*.

7. For the national cause of Broadening of Tax Base and utilization of third party databases, *NTN and CNIC of eligible taxpayers are proposed to be provided expressly* alongwith other particulars, in the withholding tax statements filed by withholding agents.

8. 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. This measure will also help in Broadening of Tax Base in the country.

9. 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%*.

10. For encouraging investments made by non-residents in Government Securities, the withholding tax on profit on debt deductible @ 10% is proposed to be a final tax. This measure will relieve the non-residents from the statutory requirement of filing of return of income, and will boost national economy.

11. The withholding tax on profit on debt deductible @ 10% arising from investment in Government securities by individual 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.

12. After imposition of capital gain tax on Modarba certificates and instruments of redeemable capital traded at stock exchange through Finance Act 2010, the *0.01% CVT on such instruments is proposed to be withdrawn* in order to encourage their trade.