

# Pakistan Institute of Public Finance Accountants

(Established under Section 42 of the Companies Ordinance, 1984)

Constituted by: **ICAP, ICMAP, AGP**

Identification, development and imparting knowledge to provide a structure for the training of accounting professionals in the specialist areas



# News Letter

Vol. 11 Reg. No. : SS-1112

July-September-2005

## PIPFA Board of Governors

### PRESIDENT

Mr. Muhammad Azam Khan Shad

### VICE PRESIDENT

Mr. Hidayat Ali

### SECRETARY

Mr. Muhammad Sharif

### TREASURER/JOINT SECRETARY

Mr. Khalid Ali Shah

### MEMBERS

Mr. Khaliq-ur-Rahman

Mr. Fazal Mahmood

Prof. Dr. Khawaja Amjad Saeed

Mr. Sher Afgan Malik

Mr. Zulfikar Ali Kadri

Mrs. Farah Ayub Tarin

Mr. Faqir Hussain Khan

Mr. Azhar Hussain

### HEAD OFFICE:

1005, Park Avenue, 10th Floor,  
Block-6, P.E.C.H.S. Karachi.

### LAHORE OFFICE:

42 Civic Centre, Barkat Market,  
New Garden Town, Lahore.

### FAISALABAD OFFICE:

Room # 2, 2nd Floor, Kuwait Plaza,  
Soosan Road, Madina Town,  
Faisalabad.

### PUBLICATION COMMITTEE

Mr. Sher Afgan Malik	Chairman
Mr. M. Azam Khan Shad	Member
Mr. Khaliq ur Rahman	Member
Mr. Fazal Mahmood	Member
Mr. Khalid Ali Shah	Member

## CONTENTS

- » **Financial Sector :** — SBP Governor Inaugurates First Islamic Banking Course:  
— State Bank of Pakistan's Research Bulletin
- » **Taxation :** — Income Tax
- » **IFAC News :** — Ethics Committee Proposes Revision to the Definition of a Network Firm  
— IFAC Release Articles of Merit 2005
- » **PIPFA Affairs :** — Annual General Meeting  
— Annual Subscription  
— New Admissions  
— Government Sector Education Program  
— Approved Educational Institutes  
— Admission of New Members  
— Best Corporate Report Awards 2004  
— Management Accountants International Conference  
— Filing of Returns of Income  
— Due Date of Returns  
— Return Forms

## Financial Sector

**SBP Governor Inaugurates First Islamic Banking Course:** The Governor, State Bank of Pakistan, Dr. Ishrat Husain inaugurated the First Islamic Banking Certificate Course at the National Institute of Banking & Finance (NIBAF), Karachi Campus on 12th September, 2005. Speaking on the occasion, the Governor said the State Bank was implementing, in letter and spirit, the decision of the Supreme Court regarding the Riba-free banking in the country. He said that we would provide level playing field for the conventional and Islamic banking in the country. Islamic banking would run parallel to the conventional banking and it is upto the people of Pakistan to choose which type of banking they would adopt, he said and added 'We need to encourage growth of genuine Islamic Banking in the country'.

**State Bank of Pakistan's Research Bulletin:** The State Bank of Pakistan launched its first-ever, externally refereed, research publication entitled 'SBP-Research Bulletin', which is aimed at publishing high-quality research in the area of macroeconomics, with special emphasis on monetary and exchange rate policy issues. The journal has three sections. The 'Articles' section, the core section of the journal, publishes contributions that are subject to blind-refereeing review process. This review process is carried out by a panel of internationally recognized economists and takes, on an average, about ten months to complete. The articles published in this section typically analyze any intriguing economic phenomenon that needs a thorough examination and is of great interest to the Bank's policy making endeavors. In the 'Opinions' section, the contributions mainly focus on the issues of current interest. This section is subject to internal review process, carried out by the staff members of the Bank. The section on 'Book Review' simply reviews the books chosen subjectively by the contributors and relevant to Pakistan's economy. To ensure high-quality research, the State Bank initially intends to bring out this journal once a year. After 2006, this journal will be published twice a year. It will become a quarterly publication of the State Bank in 2009.

At the inaugural issue of the journal, The Governor State Bank of Pakistan, Dr. Ishrat Husain said: "The broader objective of the SBP-Research Bulletin is to enhance the scientific standards of the State Bank of Pakistan, and like any other scientific publication it aims at dissemination of knowledge particularly to policy



makers, market stakeholders, and academic researchers. Indeed, a central bank in its quest for credibility and establishment of reputation, among other measures, needs to signal its scientific standards to the market. Creation of knowledge through rigorous research processes replace conjectures that reflect positively on the institute's policy-making, decision-making and thus on its credibility and

reputation." Edited by Dr. Omar Farooq Saqib (Senior Analyst, SBP, Research Department), this publication is another step in mobilizing SBP's forward-looking strategies. It would usher State Bank of Pakistan into the era of knowledge based central banking and bring it at par with the leading central banks of the world.

## Taxation

**RATES OF INCOME TAX FOR SALARIED INDIVIDUALS (CLAUSE I-A):** Income Tax is charged on the taxable income for a tax year, if it exceeds the maximum threshold limit of Rs.100,000/= that is not chargeable to tax. Where the income of an individual chargeable under the head "Salary" exceeds fifty percent of his taxable income, the rates of tax to be applied w.e.f. 1st July 2005 shall be as set out in the following table namely (Part-I of First Schedule):-

TABLE

S. No. (1)	Taxable income (2)	Rate of tax (3)
1.	Where taxable income does not exceed Rs. 100,000	Nil
2.	Where taxable income exceeds Rs. 100,000 but does not exceed Rs. 200,000	3.5% of the amount exceeding Rs. 100,000
3.	Where taxable income exceeds Rs. 200,000 but does not exceed Rs. 400,000	Rs. 3,500 plus 12% of the amount exceeding Rs. 200,000
4.	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 700,000	Rs. 27,500 plus 25% of the amount exceeding Rs. 400,000
5.	Where taxable income exceeds Rs. 700,000	Rs. 102,500 plus 30% of the amount exceeding Rs.700,000.

Legal Reference: Clause (I-A) inserted by the Finance Act, 2005 (II of 2005)

## IFAC News

**Ethics Committee Proposes Revision to The Definition of a Network Firm:** The IFAC Ethics Committee has issued an exposure draft (ED) that proposes revisions to the definition of a network firm in the Code of Ethics for Professional Accountants. Currently, under the Code of Ethics, network firms are required to be independent of an audit client of a firm within the network. The ED proposes changes that would classify a firm as a network firm of another firm if any of the following criteria is met:

- » If a firm shares a common brand name with larger structure;
- » If a firm share significant professional resources with other firms within the large structure;
- » If a firm shares revenues, profits, costs or expenses with other firms within the association; or
- » If the firms controls, is controlled by, or is under the common control of another firm through ownership, management or other means.

**IFAC Release Articles of Merit 2005 :** The International Federation of Accountants(IFAC) has published an

international collection of award winning articles .This booklet contains ten award winning articles. "Corporate Social Responsibility: Why Business Should Act Responsible and Be Accountable" by Coral Adams and Ambika Zutshi, was the winning article, first published by CPA Australia's Australian Accounting Review. This collection of articles can be downloaded from IFAC website: [www.ifac.org](http://www.ifac.org)

Ethics Committee Forum, October 11, 2005: The International Federation of Accountants' Ethics Committee will be holding a Forum in Brussels, Belgium on October 11, 2005. The main objective of the Forum will be to gather input on the Ethics Committee's views on how the independence requirements contained in the IFAC Code of Ethics for Professional Accountants should be amended.

2006 World Congress of Accountants - The 17th World Congress of Accountants will be held in Istanbul, Turkey on November 13-17, 2006. The Congress, organized around the theme "Generating Economic Growth and Stability Worldwide," will feature plenary sessions and workshops led by internationally recognized speakers from the public and private sectors. They will address issues of accounting, auditing, ethics and financial management. Detail information may be get from website: <http://www.wcoa2006istanbul.org.tr>.



## PIPFA Affairs

**Annual General Meeting:** The 12th AGM of Pakistan Institute of Public Finance Accountants will be held on Saturday October 15, 2005 at 5:30p.m at Institute of Cost & Management Accountants of Pakistan (ICMAP) Head Office, ST-18/C, Gulshan-e-Iqbal, Karachi. PIPFA members admitted upto September 30, 2005 and not having any outstanding dues on that date are eligible to attend the meeting.

**Annual Subscription:** Members and Students who have not yet paid their annual subscription for the year 2005-06 are reminded to pay the same at their earliest.

**New Admissions:** Admissions for Summer 2006 session will be starting from December, 2005

**Government Sector Education Program:** PIPFA has also developed the Government/Public Sector Education Program, besides the Corporate/Private Sector Education Program. It is a great news that the Institute has finally arranged Public Sector Education that was a cherished goal for the last ten years. Indeed, it is a great success on the part of Management of PIPFA. This new program will not only replace the present SAS examinations but will also improve functioning of the AGP in general and broad the vision of accountants with particular reference to Public Finance Accounting.

The classes of AGP Trainees who have been appointed directly in BPS-16, started at Karachi, Lahore, Rawalpindi and Peshawar. Presently 238 Assistant Audit Officers have been nominated by AGP. The institute Secretariat has made all out efforts to organize the program and to start the classes in time

**Approved Educational Institute:** PIPFA has approved further one more Institute in Hyderabad City for providing coaching facilities to students for the year 2005-06. Total 17 such Institutes are registered for 2005-06 in all over Pakistan.

### Admission of New Members

#### Fellow Members

1. Mr.Muhammad Iqbal Khan	FPA-8
2. Mr.Ishfaq Saeed	FPA-83
3. Mr.Khalid Sadiq	FPA-1392
4. Mr.Muhammad Asif Naz	FPA-1396
5. Mr.Ajjaz Ahmed	FPA-1449
6. Mr.Nadeem Yasin	FPA-1486
7. Mr.Syed Sajjad Hussain	FPA-1613
8. Mr.Muhammad Tahir Ali Qasmi	FPA-1678
9. Mr.Muhammad Haroon Orakzai	FPA-1835

#### Associate Members

1. Mr.Muhammad Nawaz	Lahore	APA-3486
2. Mr.Syed Kashif Ali	Karachi	APA-3487
3. Mr.Muhammad Yousaf	Faisalabad	APA-3488
4. Mr.Noman	Karachi	APA-3489
5. Mr.Zeeshan A. Khan	Karachi	APA-3490
6. Mr.Muhammad Zeeshan	Karachi	APA-3491
7. Mr.Sadiq	Karachi	APA-3492
8. Miss.Saima	Karachi	APA-3493
9. Mr.Fawad	Karachi	APA-3494
10. Mr.Muhammad Tariq I.	Karachi	APA-3495
11. Mr.Zeeshan Ali Akbar	Lahore	APA-3496
12. Mr.Muhammad Majid K.	Lahore	APA-3497
13. Mr.Muhammad Atif	Karachi	APA-3498
14. Mr.Muhammad Asif S.	Karachi	APA-3499
15. Mr.Khalid Ali Shah	Lahore	APA-3500
16. Mr.Muhammad Jameel T.	Multan	APA-3501
17. Mr.Dildar Ali Khawaja	Karachi	APA-3502
18. Mr.Usman Nazir	Lahore	APA-3503

19. Mr.Khawaja Asif Rauf	Lahore	APA-3504
20. Mr.Hassan Asif	Lahore	APA-3505
21. Mr.Aazib Haroon	Karachi	APA-3506
22. Mr.Mansoor Sarwar	Lahore	APA-3507
23. Mr.Sajid Mehmood	Balakat	APA-3508
24. Mr.Ahmer Zafar Siddiqui	Karachi	APA-3509
25. Mr.Syed Abbas Raza R	Lahore	APA-3510
26. Mr.Saeed Mehmood	Narowal	APA-3511
27. Mr.Hassan Arif Sabri	Lahore	APA-3512
28. Mr.M. Ather Baig C.	Multan	APA-3513
29. Mr.Tariq Nabeel Jafri	Karachi	APA-3514
30. Mr.Muhammad Shakeel Q	Karachi	APA-3515
31. Syeda Aisha Jallali	Karachi	APA-3516
32. Mr.Muhammad Faisal I	Karachi	APA-3517
33. Mr.Shahid Ali	Lahore	APA-3518
34. Mr.Muhammad Nadeem	Lahore	APA-3519
35. Mr.Shahid Maqsood	Islamabad	APA-3520
36. Mr.Sadquain Nizam	Karachi	APA-3521
37. Mr.Imran	Karachi	APA-3522
38. Mr.Tariq Saleem	Karachi	APA-3523
39. Hafiz Muhammad Ilyas	Karachi	APA-3524
40. Malik Asim Gulzar	Lahore	APA-3525
41. Mr.Rahim Uddin	Karachi	APA-3526
42. Mr.Zakir Mujahid Qureshi	Karachi	APA-3527
43. Mr.M.Azam Khan Shad	Lahore	APA-3528
44. Mr.Muhammad Nadeem	Lahore	APA-3529
45. Mr.Asif Hussain Siddiqi	Karachi	APA-3530
46. Mr.Tariq Mahmood	Islamabad	APA-3531
47. Mr.Naveed Latif	Lahore	APA-3532
48. Mr.Muhammad Usman B	Islamabad	APA-3533
49. Mr.Atiq Ur Rahman	Karachi	APA-3534
50. Mr.Zulfiqar Ahmad	Islamabad	APA-3535
51. Mr.Muhammad Ejaz	Lahore	APA-3536
52. Mr.Kashif A. Mirza	Karachi	APA-3537

### Best Corporate Report Awards 2004

The joint Committee of Institute of Chartered Accountants Of Pakistan and The Institute of Cost & Management Accountants of Pakistan organized the fifth Best Corporate Report Awards ceremony. This was held on Friday, August 26, 2005. Financial Advisor to the Prime Minister of Pakistan, Dr. Salman Shah was the chief guest for the ceremony. He distributed the awards/certificate to the Chief Executives of the winning companies.

The objective of the awards ceremony is to encourage for contributing significantly to raise the standards of corporate governance in the country and give recognition to excellence in annual corporate reporting. It helps to promote corporate accountability and transparency through the publication of timely and informative reports. The need for the development of sound corporate reporting is reflected in the Code of Corporate Governance by Securities & Exchange Commission of Pakistan. Based on internationally organized principles, it emphasizes openness and transparency in corporate reporting.

The entire corporate sector was divided into Financial Sector and Non-Financial Sector. The Non-Financial Sector was further divided into five sectors such as Chemical & Fertilizer, Engineering, Fuel and Energy, Textile, Miscellaneous.

### Management Accountants International Conference

Institute of Cost & Management Accountants of Pakistan (ICMAP) organized 10th Management Accountants International Conference from Saturday to Sunday, September 24-25, 2005 in Islamabad with the theme of the profession of Management Accounting in changing scenario. In addition to 500 members of the institute, delegates from USA, Canada, UK, Australia, India,



Sri Lanka, Bangladesh, and UAE would attend the conference.

The President of International Federation of Accountants (IFAC) attended the conference. Eminent scholars presented their research papers on the new challenges in the profession of accounting, industry and investment in the seven sessions of the conference. This will greatly help accountants to update their knowledge, new trends and technological advancements in the highly intellectualized and specialized profession.

### Filing of a Return of Income

- » Companies are required to file return of income irrespective of whether they have any taxable income or not.
- » Associations of persons (AOP) and individuals are required to file return of income under any of the following conditions:
  - ❑ Aggregate income from salary, property, business, capital gains or other sources exceeds Rs. 100,000 in the tax year.
  - ❑ Enjoys agricultural income exceeding Rs. 80,000 and also earning any amount greater than zero of income from salary, property, business, capital gains or other sources.
  - ❑ Do not fall in any of the above two categories but had been charged to tax in any of the two preceding tax years.
  - ❑ Claims a loss to be carried forward and set-off against the income of the following year(s).
  - ❑ Owns immovable property:

### Due date of a return

- » Generally, a return by an individual and an AOP is due on or before 30 th September and by a company on or before 31st December.
- » A return by a company having special tax year is due on or before 30 th September.

**Income subject to final taxation** is that, which are subject to collection or deduction of tax at source and such tax collected or deducted at source is treated as the final tax liability in respect of such income e.g.:-

Income arising from business of:

- » Import of goods;
  - ❑ Supply of goods (other than by manufacturers);
  - ❑ Execution of contract;
  - ❑ Export of goods;
  - ❑ Brokerage, commission and discounts;
  - ❑ Plying of goods transport vehicles;
- » Dividend received from a company; and
- » Prize and winnings from prize bond, raffle, lottery, crossword puzzle, quiz or sale promotion offers.

The above incomes are excluded from the ambit of total/taxable income subject to normal taxation.

Principally, income tax forms for tax year 2005 remain unchanged, except for the changes necessitated by amendments in the law and evaluation of returns etc. submitted for the Tax Year 2004.

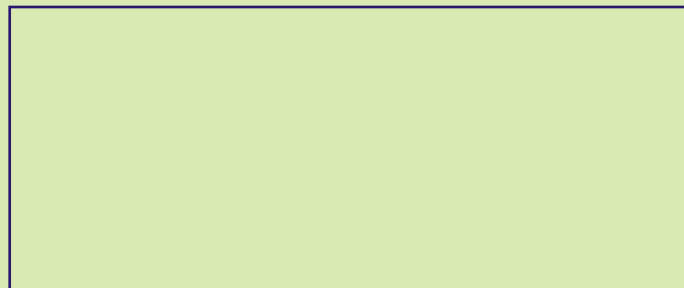
### Return Form

- » R1 Return of total income is for companies.
- » R2 Return of total income is for associations of persons and non-salaried individuals.
- » R3 Employer's certificate in lieu of return of income is a dual-purpose certificate issued by the employer.
- » R4 Attachment to employer's certificate is for individuals having income from salary as well other sources.
- » R5 Statement of final taxation is for taxpayers having transactions that are subject to final taxation only and are not required to file Form R1, R2, R3, R4 or R6.
- » R6 Statement of final taxation for retailers is for individuals and AOP having turnover upto Rs. 5,000,000 from sale of goods to general public for consumption and opting for tax at the rate of 0.75% of their turnover. Two copies of the return, certificate, attachment or statement are to be submitted. The tax department will retain the original and the duplicate, duly signed, dated and stamped will be returned as acknowledgment thereof.



**Post Office Reg. No. : SS-1112**

T<sup>o</sup>,



*If undelivered, please return to:*

**Pakistan Institute of Public Finance Accountants,**

1005, Park Avenue, 10th Floor, 24-A, Block 6, P.E.C.H.S., Shara-e-Faisal, Karachi-75400.

Tel # 021-4380451, 4380452, Fax : 021-4524872, E-mail: pipfa@cyber.net.pk, Website : www.pipfa.org.pk