

CREDIT CARDS, DEBIT CARDS OR PREPAID CARDS AND ATMS

ADVANCE TAX WOULD BE APPLICABLE ON REMITTING AMOUNTS ABROAD

RECORDER REPORT

ISLAMABAD: The advance tax would be applicable on persons remitting amounts abroad through credit cards, debit cards or prepaid cards and ATM cards under Section 236Y of the Income Tax Ordinance 2001 and all plastic cards which are categorized as debit, credit or prepaid cards are covered in this section.

Through income tax circular 3 of 2018 issued by the FBR here on Thursday, the FBR has explained advance tax on persons remitting amounts abroad through credit cards, debit cards or prepaid cards [Section 236y].

The FBR said that the credit, debit and prepaid cards are being used as a mode to pay for foreign travel, lodging, shopping, etc, and for online shopping from merchants outside Pakistan. Through the Finance Act, 2018, a new section 236Y has been inserted in the Income Tax Ordinance, 2001 which requires every banking company to collect advance tax at the time of transfer of any sum remitted outside Pakistan on behalf of a person who has completed a debit card or credit card or prepaid card transaction with a person outside Pakistan. The advance tax collected under this section shall be adjustable. The rate of tax to be deducted shall be 1% of the gross amount remitted abroad from filers and 3% from non-filers.

The following transactions are included in this section:- Use of credit card, debit card or prepaid card in Pakistan where the transaction is with a person outside Pakistan and results in transfer of sum remitted outside Pakistan. Secondly, use of credit card, debit card or prepaid card outside Pakistan where the transaction is with a person outside Pakistan and results in transfer of sum remitted outside Pakistan. Thirdly, use of ATM card outside Pakistan which results in transfer of any sum remitted outside Pakistan.

All plastic cards which are categorized as debit, credit or prepaid cards are covered in this section. As ATM cards are mostly debit cards or in some cases can also be credit or prepaid cards, transactions of cash withdrawal using ATM cards outside Pakistan are also covered in this section if such transactions result in transfer of any sum remitted outside Pakistan, the FBR added.