



TAXPAK

Newsletter by Tola Associates



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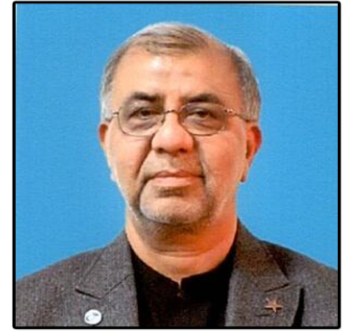
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Topic of the Month: Final tax regime in Pakistan

Disclaimer

Chairman's Message

Assalam-o-alaikum everyone! Hope this monthly issue of TaxPak finds you in good spirits and immaculate health! We welcome you to another edition of TaxPak, our monthly publication the purpose of which is to provide a monthly update on the ongoing tax related developments in Pakistan. Alhamdulillah, so far, we have been successful in our mission to educate about, and keep the public-at-large updated of these developments on a monthly basis.



Moreover, we would like to apprise the readers of what information you can expect in this document. This newsletter contains an elaboration of important Notifications and Circulars issued by the Federal Board of Revenue ("FBR") and its provincial counterparts. Moreover, Notifications from the Corporate regulatory body i.e., SECP are also discussed. As our main aim is to keep the masses updated regarding the developments in the Pakistani tax law, we usually discuss a (relatively) recent judgement passed by the courts of law. This edition of TaxPak consists a discussion of two judgments. The first one has been passed by the Hon'ble Sindh High Court ("SHC"), wherein the Hon'ble SHC set aside all the demand/recovery notices issued by the Commissioners Inland Revenue for the recovery of Advance tax u/s 147 of the Income Tax Ordinance, 2001 ("ITO"), where the estimates of advance tax filed by the taxpayers were rejected by the tax department. The other judgment discussed, was passed by Appellate Tribunal Inland Revenue, Lahore ("ATIR") wherein the Hon'ble ATIR granted stay to the taxpayer against the re-assessment proceedings initiated by the department, when the outcome of the earlier appeal filed against the remand back Order was pending before the Hon'ble ATIR.

Towards the end of the newsletter, we have discussed our Topic of the month titled Final Tax Regime in Pakistan. The said topic provides the historical context of the Final tax regime in Pakistan and how it has gradually been phased out by the Federal Government.

All our readers are requested to visit our website www.tolaassociates.com , or download our mobile application in order to access previous published editions of TaxPak along with other publications, and to stay updated of future notifications. Lastly, we request our readers to circulate this e-copy within their circle, as our primary aim is to benefit the masses. Feedback is always welcomed.

Warm Regards,
Ashfaq Yousuf Tola - FCA,
Chairman
Tola Associates.

FBR NOTIFICATIONS

A. INCOME TAX

1. Draft Electronic return form for traders who were non-filers:

The FBR, vide SRO No. 1321(i)/2024, dated 28th August 2024 has issued draft further amendments in the Income Tax Rules, 2002 pertaining to the Electronic return form for tax year 2024 and onwards, for traders who were non-filers in the tax year 2023, for the suggestions and observations from all persons within 7 days from the date of issuance.

For further reading: [FBR](#)

2. Exemption of withholding tax on import of medicines for personal the rapeutic use of immediate family members:

The FBR, vide SRO No. 1320(i)/2024, dated 28th August 2024 has granted exemption from withholding tax on import of medicines for personal therapeutic use of immediate family members, based on a certificate from the Ministry of National Health Services, Regulations and Coordination, Pakistan.

For further reading: [FBR](#)

3. Draft Amendment Rules of Alternate Dispute Resolution:

The FBR, vide SRO No. 1290(i)/2024, dated 24th August 2024 has issued draft further amendments in the Income Tax Rules, 2002 pertaining to the Alternate Dispute Resolution, for the suggestions and observations from all persons within 7 days from the date of issuance.

For complete insights: [FBR](#)

B. SALES TAX

1. Extension in filing of Sales Tax and Federal Excise Return for the Period of July 2024:

The FBR, vide circular No. 9(11) ST-LP&E/Misc/2016/Pt/174500-R, dated 16th August 2024 had extended the date of filing of Sales Tax and Federal Excise return for the period of July 2024 from 18th August 2024 to 23rd August 2024.

For further reading: [FBR](#)

2. Establishment of Check Posts for Enforcement of Provisions of section 40D of STA, 1990:

The FBR, vide SRO No. 1193(i)/2024, dated 08th August 2024 has established a check post with a mobile team on routes originating from tax-exempt areas, specifically in Thakot Bazar Check post for Thakot exit, for the purpose of examining the goods carried and the documents related thereto.

For further reading: [FBR](#)

3. Further Amendments to the Sales Tax Rules, 2006:

The FBR, vide SRO No. 1130(i)/2024, dated 1st August 2024, has made further amendments to the Sales Tax Rules, 2006, whereby a new rule titled "18A" has been added through which the FBR waived the conditions mentioned under sub-rule (3) of rule 18 of the STR, 2006 for specific sectors.

The second proviso to Rule 18(3) states that the return filed by the buyer for a tax period shall be a provisional return in IRIS, till the respective seller files his return for the corresponding tax period upto the last month in which the due date of filing of return falls. Rule 18(3)(a) states that where the seller fails to file his return by the last day of the month, IRIS shall compute sales tax liability of the buyer, after deleting the invoices issued by the non-filer seller and the corresponding input tax in the provisional return of the buyer, and the said provisional return shall be taken as valid by IRIS after payment of sales tax liability (if so computed).

Rule 18(3)(b) states that where seller has filed his return accompanied with payment of sales tax liability by the last day of the month, the provision return of the buyer shall be taken as valid by IRIS with the claim of invoices from the seller and corresponding input tax and after payment of sales tax liability.

The second proviso to sub-rule (3) of rule 18 will no longer apply w.e.f 7th March 2024 to the invoices issued to:

- (a) Registered persons by Gas transmission and distribution companies;
- (b) Registered Persons by Electricity Distribution Companies;
- (c) Registered Persons by Independent Power Producers or WAPDA if the sales tax liability has been paid by the IPP or WAPDA;
- (d) The extent of items, issued to a distributor, or a wholesaler, or a retailer, by a manufacturer or a trader if (i) sales tax liability has been paid by the manufacturer to the extent of items as per return; and (ii) none of the distributors, or wholesalers, or retailers, other than the manufacturers, have been the ultimate supplier of the items;

(e) Registered Persons by Petroleum Exploration and Production Companies if the sales tax liability has been paid by the petroleum exploration and production companies; and been the ultimate supplier of the items;

(f) Registered persons as buyers, if their suppliers have paid their sales tax liability as recomputed by application of the second proviso to sub-rule (3) of Rule 18 after deletion of invoices along with corresponding input tax, within six days from the end of the month in which their returns were taken as provisional.

For further reading: [FBR](#)

4. Explanation regarding Important Amendments made in Sales Tax Act, 1990 and Federal Excise Act, 2005

The FBR, vide circular No. 03 of 2024-25, dated 5th August 2024, has explained the important amendments made in Sales Tax Act, 1990 and Federal Excise Act, 2005 through the Finance Act, 2024. A concise summary of the major amendments is as follows:

Major Amendments in Sales Tax Act, 1990:

- Definition of Associates or Associated Persons and the Board aligned with Income Tax Ordinance, 2001.
- Cross Adjustment of Input Tax on Provincial Services allowed with conditions set forth by the Board.
- Digitization of Supply Chain introduced through several provisions.
- Broadening the scope of tax fraud to include intentional underpaying tax liability.
- Criminal proceedings have been separated from civil liability by bringing amendment in section 33 and 37A of STA.
- The scope of the definition of time of supply has been enhanced.
- The board has been empowered to fix the value of supply in case of imported goods.
- New sections titled 11D, 11E, 11F, & 11G have been introduced for streamlining and simplification of Assessment of tax.
- The order of suspension and blacklisting passed by the commissioner can be reviewed by chief commissioner.
- Audit of Sales Tax has been revamped.
- A new sub-section (2A) in section 26 has been inserted which empowered an Officer to issue notice to any person to file the sales tax return for a tax period.
- The board has been empowered to prescribe the procedure for confiscation of goods.
- Rate to default surcharge shall be 12 percent per annum or KIBOR plus 3 percent per annum, whichever is higher.

- Zero rating under 5th Schedule on stationery items packaged milk, fat filled milk and local supplies to registered exporters has been withdrawn.
- Exemption to ex-FATA/PATA shall be retained till 30.06.2025.
- Some crucial amendments have been made in the Eleventh Schedule to the STA to curb the use of fake and flying invoices.

Major Amendments in Federal Excise Act, 2005:

- Definition of the Board aligned with Income Tax Ordinance, 2001.
- Rate to default surcharge shall be 12 percent per annum or KIBOR plus 3 percent per annum, whichever is higher.
- A new penal provision has been introduced for the illegal or unauthorized removal or installation of plant and machinery.
- A new penal provision has been introduced to prevent sale of illicit and counterfeit cigarettes.
- The rate of FED on E-liquids for electric cigarette kits has been rationalized and it is now Rs.10,000 per Kg or sixty five percent of retail price, whichever is higher.
- FED has been imposed on acetate tow, nicotine pouches, and lubricating oil.
- FED on cement has been enhanced from Rs.2 per Kg to Rs. 4 per kg.
- A clarification has been provided for the definition of brand variant, including any cigarette brand with a similar logo, name, color, design, pattern, or any unique distinguishing mark associated with an existing brand family.

For complete insights: [FBR](#)

SALES TAX ON SERVICES NOTIFICATIONS:

KHYBER PAKHTUNKHWA REVENUE AUTHORITY

• Collection of Infrastructure Development Cess on Export:

The KPRA, vide Public Notice dated 22nd August 2024, intimated that the Infrastructure Development Cess (IDC) at the rate of 2% will be applied to all export consignments leaving for abroad from the province of Khyber Pakhtunkhwa through air, road, or rail.

Furthermore, the IDC collection on exports will start at the Air Freight Unit at Bacha Khan International Airport, Peshawar from August 23, 2024, and then expanding to other exporting stations in the province. [KPRA](#)

CORPORATE NOTIFICATIONS

1. Notification regarding the delegation of Powers:

The SECP, vide SRO No. 1222(i)/2024, dated 6th August 2024 has partially modified its earlier notification bearing No. SRO 826(1)2022, dated June 20, 2022, whereby the SECP delegated powers and functions to the Commissioner Licensing and Registration Division and Head of Department, Licensing Department. The power to grant approval for change in the directorship or object clause of Memorandum of Association has been delegated to Commissioner Licensing and Registration Division. Moreover, the power to extend time for incorporation of an Association as a public limited company under special circumstances has been delegated to Head of Department, Licensing Department.

For further reading: [SECP](#)

2. Amendments in the Companies Regulations, 2024

The SECP, vide SRO No. 1221(i)/2024, dated 06th August 2024 has made amendments to the Companies Regulations, 2024, whereby the International Non-Governmental Organizations (INGOs) in Pakistan are no longer required to get registration from the SECP. Moreover, new forms titled "App-3A" and "App-3B" have been added pertaining to the application for change in chief executive officer/directors of a company, and application for change in object clause of memorandum of association of a company.

For complete insights: [SECP](#)

3. SECP revoked the registration of EFU Health Insurance Ltd due to Amalgamation:

The SECP, vide SRO No. 1170(i)/2024, dated 2nd August 2024 has revoked the registration of EFU Health Insurance Limited as an insurer due to the amalgamation of EFU Health Insurance Limited with EFU Life Assurance Limited. EFU Health Insurance Limited will no longer be permitted to operate insurance business in Pakistan after amalgamation.

For Further reading: [SECP](#)

4. Payment timelines for Annual Monitoring Fee for Registered Pension Fund Managers:

The SECP, vide Notification SCD/AMCW/VPSRules/2024/52, dated 23rd August 2024 has directed Registered Pension Fund Managers to adhere to specific payment timelines for Annual Monitoring Fee and Annual Fee submissions. The Annual Monitoring Fee, Rs. 100,000/- must be paid within 15 days of the end of the financial year, while the Annual Fee for Voluntary Pension Schemes, must be paid within 15 days, along with Trustee Verification letter, Summary Sheet, Duly Stamped Calculation Sheets, and Original Deposited Fee Challans.

For further reading: [SECP](#)

5. SECP Issued Revised List Of Approved Auditors:

The SECP, vide circular No. 15 of 2024, dated 15th August 2024 has made a partial modification of its Circular No. 3 of 2024, dated 06th February 2024, whereby the commission has revised its list of approved auditors for auditing SECP Regulated Entities. The revised list includes Ilyas Saeed & Co." and Parker Russell-A.J.S. under clause (i), and S. M. Suhat & Co." and H.A.M.D & Co." under clause (h) are being included. For further reading: [SECP](#)

6. Amendments in 4th Schedule of the Companies Act, 2017:

The SECP, vide SRO No. 1278(i)/2024, dated 15th August 2024 has made alterations to the Fourth Schedule of the Companies Act, 2017, whereby every listed company and their subsidiaries not engaged in Shariah non-permissible business activities as their core business activities must disclose the following in their standalone and consolidated financial statements:

- **Disclosures Required in Relations to the Statement of Financial Position—Liability Side:**

- i. Financing (long-term, short-term, or lease financing) obtained as per Islamic mode;
- ii. Interest or mark-up accrued on any conventional loan or advance;

- **Disclosures Required in the Statement of Financial Position – Asset Side:**

- iii. Long-term and short-term Shariah compliant Investments
- iv. Shariah-compliant bank deposits, bank balances, and TDRs;

- **Disclosures Required in relation to the Statement of Comprehensive Income:**

- v. Revenue earned from a Shariah-compliant business segment;
- vi. Break-up of late payments or liquidated damages;
- vii. Gain or loss or dividend earned on Shariah compliant investments or share of profit from Shariah-compliant associates;
- viii. Profit earned from Shariah-compliant bank deposits, bank balances, or TDRs;
- ix. Exchange gain earned from actual currency
- x. Exchange gains earned using conventional derivative financial instruments;
- xi. Profit paid on Islamic mode of financing;
- xii. Total Interest earned on any conventional loan or advance;
- xiii. Source and detailed breakup of other income, including breakup of other or miscellaneous portions of other income into Shariah-compliant and noncompliant income; and

Other Disclosure Requirements: Relationship with Shariah-compliant financial institutions, including banks, takaful operators and their windows, etc.

For further reading: [SECP](#)

CASE LAW : THE HON'BLE SHC ONCE AGAIN SET ASIDE ALL THE DEMAND/RECOVERY NOTICES ISSUED BY THE COMMISSIONERS WHICH REJECTED THE ESTIMATION OF ADVANCE TAX FILED BY THE TAXPAYERS.

INTRODUCTION:

The Sindh High Court ("SHC") was moved by M/s SICPA Inks Pakistan Private Limited and several other Petitioners across the province ("Petitioners") in Constitution Petition bearing No. 5577/2023 and other connected Petitions, against the Federation of Pakistan and others ("Respondents"). The Petitioners challenged the impugned demand notices issued by the Respondents pursuant to filing of quarterly estimates of Advance tax under section 147 of the Income Tax Ordinance, 2001 ("ITO").

BRIEF FACTS OF THE CASE:

The Petitioners were aggrieved of the impugned demand/recovery notices issued by the Respondents, whereby their advance tax estimates filed in terms of section 147(4) of the ITO have been rejected by the Respondents, and they have been asked to pay an additional amount of advance tax based on their estimates. In some cases, the department had adopted the coercive measures by taking recourse to section 137 and 138 of the ITO, without adhering to the principles of natural justice. The Petitioners challenged the impugned notices, argued that the department did not have jurisdiction to question the veracity of the estimate for a quarter.

ARGUMENTS BY THE LEARNED COUNSEL OF APPELLANT:

The Counsels of the Appellant argued that this court has repeatedly ruled in favor of taxpayers in various cases regarding the interpretation of advance tax estimates. However, the department has repeatedly attempted to assert jurisdiction under Section 147 of the Ordinance, claiming they have the authority to verify and reassess these estimates. They argued that a 2nd Proviso was added in the year 2018 to section 147(6) to the ITO, allowing the Commissioner to proceed further if not satisfied with the estimates. However, this provision has been omitted through the Finance Act 2021, hence the ratio of judgments is attracted in the instant matter. They further agitated that any estimate filed cannot be objected to by the Commissioner, and the only recourse is to proceed once a final tax return is filed. The Counsels of the Petitioners collectively prayed for the granting of these petitions by setting aside the impugned orders/demands, and notices.

ARGUMENTS BY THE LEARNED COUNSEL OF RESPONDENT:

The learned Respondents' counsel argued that despite the omission of the proviso, the commissioner is still competent to examine whether the estimate for advance tax is correct or not, and if not, a demand for additional tax can be raised. They cited sections 147(6) and (7) of the Ordinance, as well as amendments made in section 147 through the Finance Act 2018 and 2023, to support their argument. They also placed reliance on Lahore High Court's judgment in the National Power Parks case, and also argued that the actions of the Respondents are fully justified in law.

Decision of the Hon'ble SHC:

The Hon'ble SHC ruled that the law regarding the advance tax has already been established in Pak Saudi Fertilizer case, Karachi Port Trust case, and Pakistan Petroleum Ltd case, therefore, the actions of the Respondents are based on misconception and ill advice. They should have restrained themselves from violating the judgments of the Supreme Court, as they should have been guided by the law.

The Court adopted a considerate view upon section 53 of the Income Tax Ordinance, 1979 ("repealed ordinance") which is more or less analogous to section 147(6) of ITO, 2001. The court ruled that Section 53 of the repealed Ordinance in fact does not provide any authority or jurisdiction to the Respondent to take any specific action, against the taxpayer, if the estimate is incorrect for any reason. The law does not provide an immediate penalty for such acts. The court also held that only additional tax can become payable under Section 87(1) of the repealed Ordinance if the tax return is determined to have not paid the advance tax. However, Section 53 does not confer any jurisdiction on Respondents to make assessments or demand payment from taxpayers on his failure to pay, delay in payment, or short payment of advance tax. The court concluded that only Section 87 of the repealed ordinance could be invoked, with nothing beyond that.

The Hon'ble SHC gave recourse to the judgments passed by the earlier benches of this Hon'ble Court in deciding the issue at hand. The Court examined the bare reading of Section 147 of the ITO and held that there is no provision exists that allows the department to discard an estimate filed by the taxpayer. The taxation authorities can only levy a default surcharge after completing the assessment if it is leviable based on the final assessment order. The Court also examined Section 137(2) of the Ordinance, which allows the Respondents to recover advance tax not paid as if it was a tax due under an assessment order. However, it does not provide any authority to the Respondent to pass any order for the recovery of such tax. By holding that view, the court found that the orders of the Respondents were without jurisdiction and could not be sustained.

The Hon'ble SHC maintained that the Federal Government amended the Ordinance by inserting a 2nd proviso to Subsection (6) of Section 147. This provision allowed the Commissioner to reject an estimate of tax payable if not satisfied, after providing an opportunity of being heard. However,

the second proviso was omitted through the Finance Act, 2021, indicating that the Commissioner had no powers to examine estimates of advance tax from 2018 to 2021. This omission amounted to redundancy and cannot be attributed to the Legislature. The legal effect of omission is that the authority should no longer exercise powers based on the omitted provision, and courts interpret such omissions as intended to remove those powers.

Moreover, the Finance Act 2024, effective from 01.07.2024, has amended Section 147 of the Ordinance, inserted subsections (6B, 6C) and a Proviso. The second proviso, previously available in sub-section (6), once again inserted with subsection (6B), which states that if the Commissioner is not satisfied with the documentary evidence or details of an estimation of tax payable is not provided, the Commissioner may reject the estimate after providing an opportunity of hearing to the taxpayer. However, the Hon'ble SHC held that the Proviso inserted indicates that the Commissioner had no authority to reject the estimates in the cases in hand at the relevant time.

The Hon'ble Court allowed all the listed Petitions, and any impugned orders, notices, and demand notices issued by the Respondents were set aside, and declared that they were passed without lawful authority and jurisdiction.

THE HON'BLE ATIR, LAHORE GRANTED STAY TO THE TAXPAYER AGAINST THE RE-ASSESSMENT PROCEEDINGS INITIATED BY THE DEPARTMENT, WHEN THE OUTCOME OF THE MAIN APPEAL WAS PENDING.

INTRODUCTION:

The Appellate Tribunal Inland Revenue, Lahore ("ATIR") was moved by M/s Shaukat Fabrics ("Applicant") in M.A (Stay) No. 6364/LB/2021, against the reassessment proceedings initiated by the Commissioner Inland Revenue, RTO, Faisalabad ("Respondent").

BRIEF FACTS OF THE CASE:

The Applicant filed a miscellaneous application for a stay against the Respondent for the initiation of reassessment proceedings against the Applicant, when the appeal against the remand order ("impugned order") was pending before the Hon'ble ATIR for adjudication. The Department, instead of waiting for the final outcome of the Appeal, initiated reassessment proceedings under notice C No.709 dated 25.05.2021, and thereby sealed the business premises of the Applicant through the sealing order dated 28.07.2021.

Arguments by the Learned Counsel of the Applicant:

The counsel of the Applicant agitated and informed the court that the appeal against the remand order of the learned Respondent was already pending before the Hon'ble ATIR, and in the meantime, department has initiated reassessment proceedings through notice, and sealed the business premises of the Applicant. The Counsel further submitted that the applicant has a good prima-facie case with every likelihood of success. He further contended that the impugned order against imposing penalty has already been vacated due to remanding the case for denovo consideration. He further maintained that the Inland Revenue Officer (IRO) were creating unnecessary workload, hardship for the applicant, leading towards the multiplicity of litigations, and also frustrating the right of appeal before the Hon'ble ATIR. He suggested that the Respondent may be restrained from reassessment proceedings till the decision of the Appellate Tribunal.

Arguments by the Learned Counsel of the Respondent:

On the other hand, the learned DR of the Respondent prayed for the rejection of above titled miscellaneous application by declaring the action of departmental authorities to be justified, and accordance with the law.

Decision of the Hon'ble Appellate Tribunal:

The Hon'ble ATIR considered the applicant's appeal against the treatment given by the first appellate authority. The Hon'ble ATIR further cited a reported judgment as 2005 PTD 678, in which the court held that when an authority sets aside an order of assessment and a further appeal is filed against it before a higher authority, the Assessing Officer should not frame a re-assessment and should wait for the higher forum's decision.

The Hon'ble ATIR gave its findings in the light of the above-quoted judgments and held that the department should wait for the decision of the Tribunal as the taxpayer has come up in a second appeal against the remand back of an order by the Respondent. The Hon'ble ATIR found weightage in the arguments advanced by the learned counsel of the Applicant, that the initiation of reassessment proceedings by the Revenue Authorities is not justified as the case has been remanded back by the learned Respondent, and no demand was outstanding. Therefore, the Hon'ble ATIR granted a 30-days stay against reassessment proceedings by suspending the operation of the hearing notice issued by the Respondent, dated 25.05.2021. The Hon'ble ATIR declared the department's action of sealing the business premises unjustified, hence the Hon'ble ATIR vacated the sealing order dated 28.07.2021. The Hon'ble ATIR lastly directed the office to fix the main appeal on an out-of-turn basis with the approval of competent authority.

TOPIC OF THE MONTH – FINAL TAX REGIME IN PAKISTAN

There exists a concept under the Income Tax laws of Pakistan, known as the Final Tax Regime (“FTR”). At present, there are various Sections under which certain categories of income of a taxpayer assessee is subject to tax on its gross amount, tax whereon is full and final discharge of liability. As per Section 8 of the Income Tax Ordinance 2001 (“ITO”), the tax imposed under Section 5 (Dividends), 5A (Undistributed profits), (Return on investment in sukuks), 7 (shipping and air transport income of a non-resident person), 7A (shipping income of a resident person), 7B (Profit on debt up to PKR 5 million of person other than company), and 7E (Deemed income on immoveable property), is a final tax on such income, subject to the other provisions of the ITO.

HISTORICAL BACKGROUND

The notion of Presumptive income was introduced in Pakistan in 1980 on income of foreign shipping and air transport services. Thereafter, tax reforms were conducted in the 1990s to extend the concept of presumptive income to certain categories of income such as supply of goods, export income etc.

The income of the aforesaid categories were taxed at the gross amount, and tax withheld on such income was considered final tax; as such no allowances or deductions were allowed to be made from the gross income.

REFORMS CONDUCTED IN 2015

In 2015, the Tax Reforms Commission (“TRC”) analyzed the FTR and recommended that the FTR be phased out gradually from the ITO. This recommendation was based on sound premise and would further the documentation of the economy.

GRADUAL PHASING OUT OF THE FTR

Pursuant to the TRC recommendations, advance tax on income from imports levied under Section 148 of the ITO was changed from a final tax to a minimum tax vide Finance Act 2019. Further, withholding tax deducted u/s 153(1) and (2) of the ITO was also changed from a final tax to a minimum tax.

INTERIM REPORT OF THE REFORMS AND RESOURCE MOBILISATION COMMISSION OF PAKISTAN (“RRMC”)

The RRMC through its interim report submitted in April 2023, recommended that income from exports under Section 154 of the ITO be shifted from the final tax regime to a minimum tax regime. Had this measure been implemented vide Finance Act 2023, the Federal Government could have generated around PKR 350 – 400 billion on account of a windfall income earned by exporters due to currency devaluation. However, this measure was not implemented vide the Finance Act 2023, depriving the Federal Government of around PKR 350 to 400 billion in tax revenue.

EXPORTERS OF GOODS SHIFTED TO MINIMUM TAX REGIME

The Exporters of goods have been shifted from a final tax regime to a minimum tax regime vide Finance Act 2024. Further, as per Section 147(6C) introduced by the Finance Act 2024, an additional 1% advance tax shall be deducted by the prescribed persons in Section 154 on the export of goods proceeds, etc.

As such, the impact of this amendment shall be that the economy will move towards documentation, as now exporters will be taxed on their net income and shall also be subject to income tax audits.

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