GOVT LAYS FINANCE BILL IN SENATE

ISLAMABAD: Finance Minister Ishaq Dar moved on Wednesday a copy of the Finance (Supplementary) Bill 2023 in the upper house of the parliament that was handed an outright rejection by the opposition senators who termed the document an "IMF mini-budget."

"IMF mini-budget unacceptable — IMF mini-budget rejected," were some of the slogans, the charged opposition senators, mainly from Pakistan Tehreek-e-Insaf (PTI), chanted on the maiden day of 325th Senate session. To the surprise of many, the Senate session was summoned unceremoniously, without prior intimation, only a day after the 324th session was prorogued on Tuesday, mainly to take up the money bill that was moved in the National Assembly on Wednesday, shortly before its copy was laid in the Senate the same day.

In the brief house sitting, the finance minister moved a motion under the relevant rule of the Rules of Procedure and Conduct of Business in the Senate 2012 to skip the question hour in house's Wednesday sitting. Thereafter, as Dar laid a copy of the money bill, he met with strong reaction from the opposition benches that tore apart the copies of the house agenda in protest to what they described was the mini budget brought on the behest of the International Monetary Fund (IMF).

Presiding over the sitting, Senate Chairman Sadiq Sanjrani directed the house members to submit their recommendations, if any, on the bill, by Thursday (Feb 16) morning, which, he said, would be reviewed by the Senate's finance panel on Friday. The house was then adjourned till Friday. The upper house of the parliament can hold extensive debate on the finance bill and devise recommendations accordingly but it has no significant role in budgetary legislation since it is completely up to NA to either completely or partially accept those recommendations or reject them—partially or completely.

Article 73 of the constitution, which deals with parliamentary business with respect to money bills, reads, "Notwithstanding anything contained in Article 70, a money bill shall originate in the National Assembly: Provided that simultaneously when a money bill, including the finance bill containing the annual budget statement, is presented in the National Assembly, a copy thereof shall be transmitted to the Senate which may, within 14 days, make recommendations thereon to the National Assembly.

BIG TAXATION MEASURES TAKEN THROUGH MONEY BILL: GOVT HAS DROPPED PROPOSALS TO RAISE FED ON IMPORTED AND LOCALLY-MANUFACTURED CARS AND ENERGY DRINKS

ISLAMABAD: The major taxation measures taken through the Finance (Supplementary) Bill, 2023 include raise in the standard rate of sales tax from 17 to 18 percent, 25 percent sales tax on the import of luxury items, 10 percent withholding tax at the time of sales of shares of companies, 10 percent withholding tax on functions at marriage halls/hotels, etc, 25 percent sales tax on high-end mobile phones exceeding US$ 500 and increase in Federal Excise Duty (FED) on cement from Rs1.50 per kg to Rs2 per kg.

The government has dropped proposals to raise the FED on imported and locally-manufactured cars and energy drinks. Under the 'mini-budget', the government has imposed 10 percent excise duty on juices/squashes, raised 13 to 20 percent FED on aerated water and increased FED on air tickets of business, first class, and club class. The FED would be 20 percent of the gross amount of ticket or Rs50,000 per ticket, whichever is higher, on air tickets issued on or after the date of commencement of the Bill 2023. One percent raise in the General Sales Tax (GST) rate from 17 to 18 percent across-the-board will fetch additional tax revenue of Rs65 billion in the remaining four and a half months of the current fiscal year.

Sales tax has been increased from 17 to 18 percent on the import of mobile phones where import value exceeding US$ 200 but not exceeding US$ 350 and phone where the import value is exceeding US$ 350 but not exceeding US$ 500.

The FBR has estimated to collect Rs65 billion through increase in the sales tax rate from 17 to 18 percent, Rs60 billion through increased rate of FED on cigarettes, Rs15 billion on sugary drinks, Rs5 billion on cement, Rs5 billion on the fair market value of shares, Rs2 billion on withholding tax on marriage halls/hotels, Rs10-Rs15 billion on imported high-value mobiles and other luxury items, and Rs5 billion on air tickets. The government has imposed an 18 percent sales tax on locally produced coal and 18 per cent on potassium chlorate.

The imported items under consideration for the provision of 25 per cent sales tax may include aerated water and juices, auto completely built units (CBU), sanitary and bathroom ware, carpets excluding Afghanistan, chandeliers and lighting devices or equipment, chocolates, cigarettes, cosmetics and shaving items, tissue papers, crockery, decoration/ornamental articles, dog and cat food, doors and window frames, fish, footwear, fruits and dry fruits, furniture, home appliances CBU, ice cream, jams, jellies and preserved fruits, luxury leather, jackets and apparels, mattress and sleeping bags, frozen or processed meat, mobile phones CBU, musical instruments, pasta etc, arms and ammunitions, shampoos, tomato ketchup and sauces, sunglasses, travelling bags, and suitcases.

The FBR has also obtained powers to increase the sales tax rate on the items specified in the Third Schedule of the Sales Tax Act on which sales tax is charged on the basis of the printed retail price. Through the proposed Finance (Supplementary) Bill, 2023, sub-sections (6) to (10) in Section 37 of the Income Tax Ordinance, 2001 have been inserted whereby the person acquiring shares of a company, shall deduct advance adjustable tax from the gross amount paid as consideration for the shares @ 10 per cent of the fair market value of the shares [determined as prescribed u/s 101A(4) and not u/s 68] which shall be paid to the Commissioner within 15 days of the payment.

New proviso has been inserted in Section 37A(1) of the Income Tax Ordinance, 2001 to exclude the application of Section 37A on disposal of securities made otherwise than through registered stock exchange and not settled through NCCPL so as to tax the same as per the provision of Section 37 of the Income Tax Ordinance, 2001.

Section 236CB has been inserted to collect advance tax @ 10 per cent on the total amount of the bill from a person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club etc. If the food, service or any other facility is provided by any other person, the prescribed person shall also collect advance tax @ 10 per cent on the payment for such food, service or facility from the person arranging or holding the function, the bill added.

ST DEPT ACCUSED OF VIOLATING LIMITATION PERIOD WITH FBR'S APPROVAL

LAHORE: The sales tax department is violating the limitation period of five years for issuing show cause notices to taxpayers in default after obtaining permission from the Federal Board of Revenue (FBR) for condoning of such delay, said sources.

According to the sources, the Board was not authorised to suppress statutory limitation periods protecting assesses against the initiation of action against them by the tax authorities. They said the expiry of the limitation period accrues a vested right in favor of taxpayers. However, the department believes that since the controversy in such matters involves tax frauds, therefore, limitation period can be condoned in the larger interest of revenue generation. However, waiving or ignoring of the limitation period in the case of tax fraud is unprecedented and cannot be allowed under the Sales Tax Act. Also, they pointed out that the relaxation extended by the Board also fails to state any tangible reason for waiving the limitation period and issue a show cause notice against taxpayers.

All such permissions lack fairness and transparency in exercise of statutory discretion by the Board, suffers from opacity and therefore unreasonable.

R 16-2-2023

FBR AIMS TO BUY 155 LUXURY VEHICLES: PLANS TO MAKE PURCHASE FROM WORLD BANK'S $400M REVENUE RAISING PROJECT

ISLAMABAD: Disregarding the prime minister's austerity policy, the Federal Board of Revenue (FBR) has planned to buy 155 luxury vehicles, at a cost of over Rs1.6 billion, in the name of taxpayers' facilitation out of a foreign loan meant to upgrade its obsolete information technology system.

The estimated cost of Rs1.63 billion for the purchase of vehicles is equal to 8.6% of the funds that the FBR had secured for the upgradation of its obsolete hardware and software, showed official documents. The more glaring aspect of the plan is that a World Bank loan will be used to buy these vehicles in the name of taxpayers' facilitation.

A couple of years ago, the FBR suffered one of the worst-ever data hacking incidents in its history – and yet, it has not been able to upgrade its data network.

Details show that the FBR has submitted documents to the Ministry of Planning for the Investment Project Financing (IPF) component, worth Rs19.6 billion, under the World Bank's $400 million Pakistan Raises Revenue project.

A deeper dive into these documents revealed that the FBR is going to procure 155 vehicles of 1,500 cc to 3,000 cc – the engine capacity that the FBR itself has described as 'a luxury' and being subject to heavy taxation. The FBR has not explained the make of the vehicles in the documents.

According to details, of the Rs19.6 billion that the FBR has demanded, a big chunk of Rs1.63 billion or 8.6% will be spent on buying these vehicles. In a meeting held recently, however, the planning ministry opposed the purchase. Another meeting to acquire the ministry's approval ahead of the Central Development Working Party (CDWP) meeting will take place today (Thursday).

The FBR has estimated each vehicle to cost about $47,000 or Rs10.3 million, at the old exchange rate of Rs220 to a dollar. After the rupee devaluation, and recent increase in prices by car assemblers, the total cost of the purchase might exceed much more than even Rs1.63 billion.

Prime Minister Shehbaz Sharif has announced plans to implement an austerity policy due to the pressing economic conditions in the country. While Finance Minister Ishaq Dar, on Wednesday, announced a Rs170 billion mini-budget, his revenue arm seems to be keen on purchasing cars and using taxpayer money for its personal benefits.

Dar has already stopped the FBR from misusing the Point of Sale (PoS) funds for personal benefits after a story appeared in The Express Tribune.

Last week, a national austerity committee also recommended the prime minister ban the purchase of all types of vehicles until June 2024.

The FBR follows the Universal Self-Assessment scheme where the taxpayer has the freedom to declare its income. The FBR charges higher income tax rates from non-filers, but despite having their data, the FBR does not often go after them – with or without a car.

The replies of the FBR spokesperson were awaited till the filing of this story.

The details showed that the vehicles will be distributed among all the field formations. The maximum number of vehicles, nine each, are planned to be given to the regional tax offices situated in Faisalabad, Gujranwala, Islamabad, Lahore and Karachi. Some regional offices, like Peshawar, Quetta and Rawalpindi will get eight vehicles.

The FBR stated in its documents that it plans to launch tax compliance initiatives, including behavioural nudges and facilitate registration, filing, and payment of taxes by reaching out taxpayers in selected areas in phases, where digital access to services is weak or other geographical, social, or cultural aspects restrict traditional ways of facilitating the taxpayers.

These reasons, however, do not seem to justify the purchase of 155 luxury vehicles.

In its technical appraiser, the planning ministry has also raised objections to the FBR's move to buy these vehicles, asking the FBR about the "need" and the cost. The ministry recommended that instead of buying these vehicles "it would be more appropriate that tax facilitation facilities be outsourced."

The planning ministry also objected to the allocation of $3 million for training, workshops, and staff capacity building. An amount of Rs320.4 million has been proposed for the operational cost of project management (i.e., Rs30 million for the hiring of vehicles, Rs18 million for fuel, and Rs30 million for project contract staff).

The World Bank had approved the project to expand the tax base and upgrade the obsolete data networks, but the Planning Commission has observed that these goals might not be achieved within the due date – which is June 2024.

"The sponsors, after a lapse of two years, have submitted the revised PC-I with new requirements of equipment and with enhanced costs. Only Rs92 million (i.e., less than 1% of the original cost) has been utilised within two years i.e., up to June 30, 2022, therefore, the sponsors may clarify whether they will be able to utilise the remaining cost of the project Rs19.5 billion up to June 2025," according to the ministry.

Many had opposed the Pakistan Tehreek-e-Insaaf (PTI) government's move to take the $400 million WB loan in the name of the tax reforms, fearing that it might also cause a wastage of foreign loans, as had happened in the case of the failed $149 million Tax Administration and Reform Project (TARP). The TARP funds had been utilised to buy cars, computers and to upgrade offices.

The Pakistan Raises Revenue money now may also be used to buy cars, computers and laptops. The Rs9.6 billion cost includes spending of Rs596 million on 1,300 desktops and 600 laptops.

TR 16-2-2023

FBR PLANS TO LAUNCH TECHNOLOGY ENABLED OUTREACH INITIATIVE UNDER PRR PROGRAM

FBR plans to launch technology enabled outreach initiative under PRR (Pakistan Raises Revenue Program) through mobile tax facilitation stations to bring routinely used taxation services closer to the taxpayers' doorstep.

FBR fielded a Mid Term Review (MTR) of the World Bank funded PRR Program in October and November of 2022. Program's savings would be utilized in launching IT enabled outreach initiative in the area of taxpayer facilitation and behavior nudges to promote tax culture.

These interventions include, among other things, enhancing taxpayers' access to FBR's systems and solutions at or close to their own doorsteps with the aim to minimize the need to have them visit tax offices all across the country for routine processes in the similar fashion as NADRA's mobile vans.

In an effort to reach out to taxpayers in emerging economic centers in tehsils, districts and areas having limited accessibility, these 155 mobile tax facilitation stations will be standard/ non-luxury vans. The implementation of the initiative will be in accordance with government priorities and policies including Federal Cabinet's circular dated 7th July 2022 which outlined the austerity measures for F.Y 2022-23 and allows for procurement of such utility vehicles. Once the revised PC-1 is approved by CDWP and ECNEC, this initiative will be implemented in a phased manner.

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