FINANCE (SUPPLEMENTARY) BILL 2023: SENATE ADOPTS RECOMMENDATIONS

ISLAMABAD: The Upper House of the parliament saw a fiery debate on the Finance (Supplementary) Bill, 2023, on Friday as the opposition lambasted the government for bringing what it said was an "anti-poor" and an "IMF-dictated mini-budget."

In addition, the house also adopted recommendations of the Senate's Standing Committee on Finance and Revenue regarding the Finance (Supplementary) Bill, 2023. "This government has nothing to offer to the masses except audios and videos," deplored the Leader of the Opposition in the Senate, Dr Shahzad Waseem. "The forex reserves are hitting rock-bottom and the world is simply not ready to help Pakistan—due to the ill reputation of this government," he added.

The opposition leader took on the government for imposing excessive taxes of 170 billion rupees in the mini-budget. This, he said, has been done at the behest of the International Monetary Fund (IMF). "We don't know what this IMF agreement is all about. The unending flood of inflation is wiping out the poor segments of society. Not long ago, the price of onion was Rs65 per kilogramme that has been increased to Rs250 per kg. The tomato that would cost Rs50 per kg is now Rs130/kg. Where should the poor go?" Waseem also lashed out at the government for shutting down the Sehat Sahulat Programme launched by the federal government of the PTI that aimed at providing free medical treatment to the public. "They have pushed the common man to the wall and yet they have the audacity to seek more sacrifices from the public," the opposition leader lamented.

Law Minister Azam Nazeer Tarar, in response, passed the buck on the previous federal government of the Pakistan Tehreek-e-Insaf (PTI). "The previous government is responsible for this inflation—the opposition should tell the house who struck agreement with the IMF," he stated. "One man destroyed the country's economy and is now comfortably sitting in his home," the minister remarked. Speaking on the floor of the house, State Finance Minister Aisha Ghaus Pasha said, the increase in power and gas tariffs will not apply on consumers using "less energy." She said the government has increased the budget of the Benazir Income Support Programme (BISP) by Rs40 billion with an aim to provide relief to the downtrodden segments of society. "We will have to take structural reforms and tough decisions to put the country on the path of stability. There should be no politics on it," the state minister said, adding that the government would soon announce austerity measures to reduce expenditures. Mushtaq Ahmed Khan from Jamaat-e-Islami (JI) termed the mini-budget a "black document" for imposing excessive taxes on gas, electricity, and other edible items.

Senate has made few recommendations to the National Assembly for changes in the Finance (Supplementary) Bill, 2023, to fix a definite amount of tax on international air travel for each destination instead of imposing a 20 per cent tax. According to the recommendations of the Senate to the National Assembly on Friday, the Finance (Supplementary) Bill 2023, laid in the House on February 15, 2023, brings about an increase in the standard rate of general sales tax from 17 to 18 per cent besides increasing the federal exercise duty on sugary items, tobacco, airline tickets, marriage halls, and cement. Senator Saleem Mandviwalla suggested that instead of imposing 20 per cent tax, a definite amount should be fixed for each destination.

The committee recommended that the federal excise duty (FED) on fruit juices should be decreased from 10 to five per cent. Similarly, to curtail the usage of tobacco as per the global practices, government has increased tax per thousand cigarettes from 6,500 rupees to 16,500 rupees. Additionally, the FED on per kilogram of cement has been increased from one rupee 50 paisas to two rupees. Mandviwalla said the majority of banquet halls are not even registered with the FBR. It was further recommended that before imposing tax, the government should make efforts for the registration of marriage halls. Senator Mandviwalla reiterated that this bill will only burden the taxpayers of the country. He proposed that government should take measures to bring the non-taxpayers under the ambit of the FBR. The house was adjourned till Monday.

R 18-2-2023

NA SESSION ADJOURNED WITHOUT MINI-BUDGET APPROVAL: SESSION NOW SCHEDULED TO TAKE PLACE ON MONDAY AT 5PM

A session of the National Assembly (NA) aimed at discussing the Finance (Supplementary) Bill, 2023, or mini-budget, was adjourned on Friday without a vote on amendments in tax laws needed to resume the crucial International Monetary Fund (IMF) programme. "NA session has been adjourned to meet again on Monday, February 20, 2023 at 5:00 pm," said the official handle of the National Assembly of Pakistan. During the brief session on Friday, lawmakers lambasted the government for imposing a massive burden on common man by increasing taxes.

Federal Minister for Finance and Revenue Ishaq Dar introduced on Wednesday the Finance (Supplementary) Bill, 2023, announcing various amendments that feature taxation measures of Rs170 billion (approximately $640 million), as Islamabad moves to convince the IMF to revive its bailout programme. Dar said the taxation measures will help reduce the budget deficit, adding that cabinet members would also adopt an austerity approach to help the country at this time of economic distress.

Pakistan has been implementing various prior conditions agreed with the Washington-based lender in hope of reviving the stalled bailout programme at a time when its foreign exchange reserves have depleted to critical levels, covering less than a month of imports. Through the amendments, federal excise duty was raised on cement, cigarette, sugary drinks and air travel. Moreover, sales tax has been raised from 17% to 18% on general items and 25% on luxury goods. Approval of the tax amendments in NA is key requirement to unlock the next tranche of IMF loan. On Tuesday, Dar during his meeting with President Dr Arif Alvi apprised the premier that the government wants to raise additional revenue through taxes by promulgating an ordinance. However, President Alvi advised that it would be more appropriate to take the parliament into confidence on this subject and that a session be called immediately so that the bill is enacted without delay.

R 17-2-2023

US SEEKS REVERSAL OF TAX INCREASE: EMBASSY DELEGATION MEETS SAPM TO LEND SUPPORT TO FOREIGN BEVERAGE FIRMS

ISLAMABAD: The United States embassy in Islamabad on Friday backed the demand of beverage companies for withdrawal of proposed 7% increase in federal excise duty (FED), a stance that Pakistan sees as out of sync with the harsh ground realities.

A delegation of the US embassy held a meeting with Special Assistant to Prime Minister (SAPM) on Revenue Tariq Pasha to lend its support to the foreign companies producing beverages or selling global brands.

“A US embassy delegation, led by Aaron Fishman, Commercial Counsellor, and representatives of multinational beverage companies visited the Federal Board of Revenue (FBR) and met with Special Assistant to PM on Revenue Tariq Mahmood Pasha,” said a statement issued by the FBR. FBR Chairman Asim Ahmad also attended the meeting.

Representatives of the beverage companies requested Pakistani authorities to withdraw the hike in taxes, sources privy to the meeting told The Express Tribune.

They said that the 7% increase in FED would result in a reduction in their sales amid an already high cost of production due to soaring inflation.

Two US companies are currently operating in Pakistan and the increase in FED will directly hurt them due to reduction in sales of either finished products or their concentrates.

The delegation also discussed the new tax provisions for the beverage industry and the SAPM and FBR chairman assured the representatives of companies that their genuine hardships and concerns would be taken care of on a priority basis, according to the FBR.

The FBR, however, did not give any assurances to immediately withdraw the increase in duty, saying that Pakistan’s economic conditions did not permit it, sources said.

However, the abrupt changes in taxation policies will negatively affect
the annual business plans of companies, which ultimately dents confidence in Pakistan’s economy. The best way to deal with the current economic crisis should be to impose direct taxes on the income of people and companies instead of targeting their consumption.

Earlier, Finance Minister Ishaq Dar on Wednesday unveiled a mini-budget to collect an additional Rs170 billion in the remaining period of current fiscal year. The annual impact of the mini-budget is estimated at around Rs550 billion.

The government has increased the FED on carbonated water and beverages from 13% to 20%. Additional earnings from the increase are estimated at Rs7 billion for four months, with annual impact of over Rs21 billion.

The additional collection from sugary drinks is part of a plan drawn up to collect Rs7.640 trillion in overall taxes in the current fiscal year.

Sources mentioned that the US embassy’s intervention in tax matters has raised the stakes. They revealed that the government did not give any assurances to withdraw the increase in the levy. However, it indicated that it may review the move in June budget, provided sales of companies registered a decline due to the additional tax.

Citing recommendations of the World Health Organisation (WHO) for sugary drinks, the FBR chairman commented that sugary drinks were injurious to health.

The United States along with other countries has been urging Pakistan to increase its low tax-to-GDP (gross domestic product) ratio, which is even worse than that of some sub-Saharan African countries.

According to some estimates, Pakistan collects only half of its revenue potential, as large sectors like agriculture, wholesale, trade and construction remain outside of the ambit of taxation.

The government has also imposed 10% FED on juices, which the Senate Standing Committee on Finance has recommended to be reduced to 5%.

Representatives of Murree Brewery and Shezan Enterprises protested that the government had imposed FED on sugary fruit juices and squashes at the rate of 10% and termed the sudden increase unjustifiable.

A majority of taxation measures that the government has proposed in the budget appeared to be of poor quality, which may not yield the required additional revenues.

The increase in GST rate to 18%, imposition of up to 153% additional FED on cigarettes and higher FED on sugary drinks are the only measures that will generate significant revenues. However, these hikes are highly inflationary and will hurt the poor the most.

TR 18-2-2023

FBR TO ENHANCE COOPERATION WITH THE US ON FINANCE, REVENUE

Special Assistant to Prime Minister (SAPM) on Revenue, Tariq Mahmood Pasha here on Friday appreciated the United Sates (US) engagement with Pakistan in the economic, financial and revenue areas and hoped the ongoing cooperation between the two countries will further strengthen. He was talking to a delegation of the US Embassy in Islamabad, led by Commercial Counselor, Aaron Fishman and representatives of the multi-national beverage companies who visited Federal Board of Revenue (FBR). Chairman FBR, Asim Ahmad was also part of the meeting. On the occasion, Chairman FBR highlighted the areas of cooperation between the USA and Pakistan in terms of trade and business facilitation. The delegation also discussed the new tax provisions on the beverage industries and the SAPM (Revenue) and Chairman FBR assured the representatives of the companies that their genuine concerns will be addressed on priority. The meeting was also attended by the Member Inland Revenue – Policy and in the end FBR team thanked the visiting delegation.

Times 18-2-2023

10PC WHT IMPOSED ON SALES OF SHARES FOR DOCUMENTATION

ISLAMABAD: The government has imposed a 10 percent withholding tax at the time of sales of shares of the companies for documentation, enforce return filing and tax collection from the corporate sector in advance.

Official sources told *Business Recorder* that the FBR will not determine the fair market value of such shares. The provision was always there, but now we are asking to collect the tax in advance instead of annual filing of income tax returns or FBR is not aware of such transactions. The income tax rules already provide a detailed mechanism for the determination of the values of shares at the time of selling. But the payment in advance would force such persons to file returns. The change in ownership at the time of the transfer of shares has to be reported to the Securities and Exchange Commission of Pakistan (SECP). There are many cases where returns are not filed. The tax is adjustable and can be adjusted at the time of filing of returns. These shares are sold privately, but due to enforcement issues, the FBR will collect the tax in advance. This tax will be deduced on fair market value of the shares by the purchaser of those shares. Under the proposed Finance (Supplementary) Bill, 2023, the bill has proposed amendments in the Income Tax Ordinance, 2001.

According to the bill, the person acquiring a capital asset, being shares of a company, shall deduct advance adjustable tax from the gross amount paid as consideration for the shares at the rate of 10 percent of the fair market value of the shares which shall be paid to the commissioner by way of credit to the federal government, within 15 days of the payment. The value of shares shall be the fair market value, as prescribed for sub-section (4) of section 101A, without reduction of liabilities.

The Commissioner may, on application made by the person disposing of the shares, and after making such inquiry as the Commissioner thinks fit, allow to make the payment, without deduction of tax or deduction of tax at a reduced rate. The provisions of sections 161, 162, entry No 15 of the Table in section 182, clause (c) of sub-section (1) of section 191 and section 205 shall apply to the tax deductible and payable under this section. The person disposing of the capital asset, being shares of a company, shall furnish to the Commissioner within 30 days of the transaction of disposal, the prescribed information or documents, in a statement as may be prescribed: Provided that the Commissioner may, by notice in writing, require the said person, to furnish information, documents and statement within a period of less than 30 days as specified in the notice, Finance (Supplementary) Bill, 2023 added. When contacted, Asif S Kasbati, FCA, FCMA and senior tax expert said that a new provisions has been introduced by the Finance (Supplementary) Bill, 2023 about collection of tax on disposal of shares being private limited; unlisted public companies and certain listed companies shares, mutual funds units and Sukuk Bond.

The new provisions about collection of tax on disposal of two types of shares being (a) private limited and unlisted public companies which could not be traded in stock exchange and (b) listed companies shares, mutual funds units and Sukuk Bond which are traded outside the registered stock exchange transaction of, which and which are not settled through the NCCPL. Kasbati further added that the person disposing of the shares (however, bill inadvertently specifies deduction by the person acquiring shares) of the company, shall deduct advance tax from the gross amount paid as consideration for the shares at 10 per cent of the fair market value of the shares. The deducted tax shall be deposited within 15 days by the withholding tax agent. The value of shares, for the above purpose, shall be fair market value of share on the last day of the tax year, preceding the date of transfer of the share without reduction of liabilities. In case of capital gain exemption or reduced rate, the commissioner may, on application made by the person disposing shares, and after making such inquiry as the Commissioner thinks fit, allow to make payment, without deduction of tax or deduction at a reduced rate than the standard rate of 10 percent. Kasbati indicated that in case of non-compliance, the deducting authority will be subject to default surcharge, assessee-in-default, penalty, prosecution, after proper opportunity of being heard.

The seller of the shares shall furnish to the commissioner within 30 days of the disposal on the statement to be prescribed. The Commissioner may ask to furnish further information in not less than 30 days. Kasbati opened that this will increase tax revenue due to no such anti-tax avoidance provisions in the past so far as withholding tax is concerned. Having stated this, he expects that proper implementation will be monitored for buyer and seller of shares, etc.

FED ON BEVERAGES/JUICES UNDER MINI-BUDGET: FBR CHAIRMAN ASSURES TO RESOLVE ISSUE

ISLAMABAD: Chairman Federal Board of Revenue (FBR) on Friday assured Aaron Fishman, Commercial Counselor US Embassy and representatives of the multinational beverage companies to resolve the issue of the proposed increase in the Federal Excise Duty (FED) on beverages/juices under the mini-budget.

A US Embassy delegation led by Aaron Fishman, Commercial Counselor and representatives of the multinational beverage companies discussed the issue of increase in the Federal Excise Duty on beverages/juices under the mini-budget.

A US Embassy delegation led by Aaron Fishman, Commercial Counselor and representatives of the multi-national beverage companies visited FBR and met Tariq Mahmood Pasha, Special Assistant to the PM on Revenue, and Asim Ahmad Chairman FBR, on Friday at Islamabad.

Chairman FBR extended welcome to the visiting delegation and highlighted the areas of cooperation between the USA and Pakistan in terms of trade and business facilitation.

The delegation also discussed the new tax provisions on the beverage industries and the SAPM (Revenue) and Chairman FBR assured the representatives of the companies that their genuine concerns will be addressed on priority. SAPM also appreciated the US engagement with Pakistan in the economic, financial and revenue areas and vowed to further strengthen the ongoing cooperation. The meeting was also attended by the Member Inland Revenue - Policy and in the end FBR team thanked the visiting delegation.

R 18-2-2023

SHC ALLOWS PROVISIONAL RELEASE OF CONSIGNMENTS

KARACHI: Hearing a constitution petition filed by Mesers MAAC International, a custom appellate bench of High Court of Sindh allowed request for provisional release subject to securing of disputed amount of duty and taxes before the collectorate concerned by way of Pay Order.

The bench earlier heard Rana Shakahwat Advocate who submitted that the petition is filed after being aggrieved by assessment under Valuation Ruling 1708 of 2022, dated 14-12-2022. He submitted that after insertion of provision to section 81, the custom authorities are not empowered to allow provisional release and hence consignments are incurring port charges.

The bench by way of interim relief ordered provisional release subject to securing of disputed amount of duty and taxes with collectorate concerned in shape of Pay Order while payment of undisputed amount also with the collectorate.

The petition was thus disposed of with order above.

CN 18-2-2023