FINANCE (SUPPLEMENTARY) BILL, 2023 ADOPTED: NA ACQUIESCES TO IMF TAX STIPULATION

ISLAMABAD: The National Assembly Monday passed the Finance (Supplementary) Bill, 2023, proposing additional taxes and duties of Rs170 billion to meet the understanding reached with the International Monetary Fund for Extended Fund Facility.

In his winding-up speech, Finance Minister Ishaq Dar said the bill proposed to impose new taxes of Rs170 billion to minimise the fiscal deficit. He said his economic team had a hectic routine during the last 10 days and it held talks with the IMF to revive the programme, during which it agreed to take some tough decisions for streamlining the deteriorating condition of the economy.

“The additional proposed tax measures of Rs170 billion was not meant to bridge the gap of the collection target rather it will help minimise the budget deficit for the fiscal year 2023,” he added. He said a fixed charge of Rs250,000 will be levied on business class tickets for Canada and America, adding that the tax on a business class ticket to Europe will be Rs150,000 and Rs75,000 for the Middle East and Africa.

The duty on cigarettes will remain as announced in the bill, he said, adding that the additional taxes levied under the bill will lift the country out of the economic crisis. “Excise duty has been increased on passengers traveling internationally in business class,” he added.

“A duty of Rs250,000 has been fixed on business class tickets for South America. Also, the charge for business and first class air tickets for passengers going to East Central Asia and Asia Pacific countries will be fixed at Rs150,000,” Dar added. He said line losses in the power sector due to electricity theft are Rs1,400 billion, adding the cost of generating electricity is Rs3,000 billion, while the government collects only Rs1,550 billion. He also assured the house, Federal Board of Revenue (FBR) will meet its revenue targets.

Dar said Pakistan held talks with the IMF visiting team for 10 days, adding “we agreed with the IMF on taxes of Rs170 billion during the negotiations”. He claimed the previous government reneged on the financial commitments with IMF, adding the monthly stipend under Benazir Income Support Programme (BISP) is being increased by 25 per cent and the budget allocated for the programme from Rs360 billion to Rs400 billion. In the next few days, he added, the prime minister will present a plan in the house to reduce government expenditures.

Dar also criticised the “flawed” economic policies of the previous government, saying the mismanagement and lack of fiscal discipline damaged the economy. He said that the PTI government did not fulfill its commitments made with IMF and sabotaged the economy before its ouster. “It was the obligation of the state to honour the agreement signed with IMF so the incumbent government was implementing the point agreed by PTI government,” he claimed. He said that the debt has increased by 70pc during the last four years, adding most of the new taxes were being imposed on luxury items not used by them.

Dar said that the government fully realises people’s problems due to rising inflation, but are compelled to take tough measures to strengthen the economy.

According to the bill, the general sales tax (GST) will be increased from 17 to 18 per cent. It has been decided to enhance the GST on luxury items from 17 to 25 per cent. For the air travel, it has been proposed that a fixed amount of FED ranging from Rs250,000 to Rs75,000 of different tiers as per the International Air Transport Association on airfare for first, business and club classes should be imposed. Besides, 10 per cent withholding adjustable advance tax will be levied on the bills of wedding halls in order to promote simplicity and austerity. The FED will be enhanced on sugary and aerated drinks, while FED will be increased on cement from 1.5 rupees to two rupees per kilogrammes. This was opposed by Maulana Abdul Akber Chitrali of Jamaat-e-Islami and Saira Bano of Grand Democratic Alliance (GDA) after the amendments moved by them were rejected.

However, two recommendations forwarded by Senate were incorporated into the bill by the house.

The National Commission for Minorities Bill, 2023 was laid before the House. The bill was introduced by Finance Minister Ishaq Dar.

R 21-2-2023

NATIONAL ASSEMBLY PASSES FINANCE (SUPPLEMENTARY) BILL

The National Assembly on Monday passed the Finance (Supplementary) Bill, 2023 aimed to amend certain laws relating to taxes and duties, *APP* reported.

Minister for Finance Ishaq Dar introduced the bill in the House on February 15, and the formal debate started on it after moving a motion by Minister for Commerce Syed Naveed Qamar on February 17, 2023.

In his concluding speech, the Minister for Finance and Revenue Senator Muhammad Ishaq Dar said that this bill proposed to impose new taxes of Rs170 billion to minimise the fiscal deficit. He said that his economic team had a hectic routine during the last ten days and it held talks with the International Monetary Fund (IMF) to revive the program, during which it agreed to take some tough decisions for streamlining the deteriorating condition of the economy. He said the new revenue measures would not affect the poor segments of society. In order to help the poor cope with the rising inflation, he said the government had also proposed a Rs 40 billion increase in the budget of the Benazir Income Support Program (BISP).

The government has proposed to increase the BISP budget from Rs 360 billion to Rs 400 billion, by allocating additional funds of Rs 40 billion to benefit the (BISP) beneficiaries," he added. He said Senate Standing Committee on Finance has proposed some amendments related to federal excise duty on air tickets to different countries which have been adopted.

The minister said that every cigarette brand would pay the duty as per the category which it had been paying before the introduction of the bill. Ishaq Dar expressed satisfaction with the performance of the Federal Board of Revenue (FBR) and hoped that the revenue collection target set for the year 2022-23 would be achieved easily. The additional proposed tax measures of Rs 170 billion, he added, were not meant to bridge the gap of the collection target, rather the same would help minimise the budget deficit for FY23. He said the IMF was much concerned over the huge losses, such as the power sector was facing losses of around Rs 1,450 billion per year. He said that a total amount of Rs 3,000 billion is being spent to generate electricity while the government collects only Rs 1,550 billion. He said that due to power theft, line loss and non-payment of electricity bills, the government was facing about Rs 1450 billion deficit.

The minister said that both houses of parliament talked about reducing the expenses and that the Prime Minister would give a comprehensive road map in the coming days for austerity measures. Ishaq Dar also criticised the economic policies of the previous government and said that poor management and lack of fiscal discipline damaged the economy. He said that the PTI government did not fulfil commitments with IMF and sabotaged the economy before its ouster. It was the obligation of the State to honour the agreement signed with the IMF so the present government was implementing points agreed upon by the PIT government.

Ishaq Dar said due to the reforms being taken by the incumbent government, the economy would first get stabilised and then witness rapid growth in the coming years. He said the new revenue measures would not affect the poor segments of society as most of the new taxes were being imposed on luxury items not used by them.

The minister also thanked the members from both houses of parliament for their recommendations on the bill. He said their feedback has been reviewed and it would be incorporated into the upcoming budget.

R 20-2-2023

ACTIVE TAXPAYERS LIST EXPIRES ON FEBRUARY 28, 2023: FBR

ISLAMABAD: Active Taxpayers List (ATL) for tax year 2021 is expiring of February 28, 2023, said officials in the Federal Board of Revenue (FBR) on Tuesday. The officials said that taxpayers who had failed to file income tax return for tax year 2022 would not able to avail benefit of reduced rates of withholding tax from March 01, 2023.

The FBR will issue the new ATL on March 01, 2023 on the basis of income tax returns filed for the tax year 2022 till February 28, 2023. The officials said that the FBR had 4.2 million active taxpayers as of February 20, 2023. According to the ATL is a central record of online Income Tax Return filers for the previous tax year. It further said ATL is published every financial year on March 01 and is valid up to the last day of February of the next financial year.

For example, Active Taxpayer List for Tax year 2020 was published on March 01, 2021 and will be valid till February 28, 2022. Similarly, Active Taxpayer List for Tax year 2021 will be published on March 01, 2022 and will be valid till February 28, 2023.

The FBR said that a person's name will be part of the current ATL, if the Tax Return filed pertains to the Tax year of the relevant ATL. For example, to be part of the ATL published on March 01, 2021, a person must have filed a Tax return for the Tax year 2020. Similarly, to be a part of the ATL published on March 01, 2022, a person must have filed a Tax Return for the Tax year 2021.

Restriction on including a person's name on ATL, if the person has not filed Tax Return by the due date specified by Income Tax authorities was introduced through Finance Act, 2018. For example, to be part of the ATL published on 1st March 2022, a person must file a Tax Return by the specified due date for the Tax year 2021.

However, through Finance Act, 2019 a person's name can be part of ATL, even if the person has filed Tax Return after the due date specified by Income Tax authorities. Furthermore, a surcharge for placement on ATL after due date of filing of Tax Return will be charged as under:

Person	Surcharge (PKR)
Company	20,000
Association of Persons	10,000
Individuals	1,000

A company or an AOP shall be included in the ATL, whose return is not to be filed due to incorporation or formation after 30th day of June relevant to the Tax year pertaining to the ATL.

Joint account holders as an entity shall be deemed to be part of ATL if any of the persons in the joint account have met the criteria of being included in the ATL.

Bank account held in the name of a minor shall be considered part of ATL if the parents, guardians of the minor or any person who has deposited money in minor's account are deemed to have met the criteria of being included in the ATL.

The late filers of Income Tax Return for Tax Year 2021 can pay "*Surcharge for ATL*" as defined under section 182(A) of Income Tax Ordinance 2001 by clicking on Tax Payment Nature "*Misc*" head in the PSID. Only after the payment of surcharge will the name of the late filer become part of ATL, the FBR added.

PR 21-2-2023

IMPOSING/RAISING TIME-BOUND RDS, ACDS: FBR EXTENDS TIME PERIOD TO MARCH 31ST FOR OVER 600 LUXURY ITEMS

ISLAMABAD: The Federal Board of Revenue (FBR) has decided to extend the time period up to March 31, 2023, for imposing/raising time-bound regulatory duties and Additional Customs Duties (ACDs) on the import of over 600 luxury and non-essential items including vehicles, chocolates/electronics/cosmetics, home appliances, furniture.

The FBR will issue a separate notification to impose a 25 percent sales tax on the import of luxury and non-essential items. The FBR had issued SRO1571(I)/2022 and SRO1572(I)/2022 dated August 22, 2022, to increase/revise regulatory duties and also raise additional customs duty on the import of luxury and non-essential items. The enhanced rates of RDs remained applicable from August 22, 2022 to February 21, 2023 under the SRO1571(I)/2022 and RD remained applicable on the import of items falling under the serial number 554 of the SRO1571(I)/2022 from August 22, 2022 to November 1, 2022.

The FBR will issue new notifications to extend the time period of the regulatory duties and the ACDs on the import of luxury and non-essential items up to March 31, 2023. Under the SRO1572(I)/2022, seven per cent additional customs duty was applicable on goods falling under tariff slab of 30 per cent and higher slabs as well as slabs of specific rates, except the following which shall be charged at the rate of two per cent: on the goods falling under specified PCT codes and cars, jeeps, light commercial vehicles in CKD condition exceeding 1,000cc and heavy commercial vehicles in CKD condition.

From August 22, 2022 to February 21, 2023, the FBR had also imposed 35 per cent additional customs duty on the import of vehicles falling under the PCT codes of 8703.2323 (Sport utility vehicles -SUVs 4x4); 8703.2329 (other vehicles); 8703.2490 (other vehicles, with only compression- ignition internal combustion piston engine (diesel or semi diesel); 8703.3223 (components for the assembly/manufacture of sport utility vehicles, in any kit form); 8703.3225 (all terrain vehicles (4x4); 8703.3229 (other); 8703.3390 (other vehicles, with both spark-ignition internal combustion piston engine and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power); and 8703.9000 (other) as per the SRO1517(I)/2022. Under the SRO1571(I)/2022, the regulatory duty was increased from five per cent to 100 per cent on the import of new vehicles of a cylinder capacity exceeding 1000cc but not exceeding 1300cc.

The RD was also increased on the import of chocolates from 10 to 49 per cent; jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter from 20 per cent to 49 per cent.

The regulatory duty was increased from 20 to 49 per cent on the import of fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or Included.

The RD was also increased from 30 to 49 per cent on the import of waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow.

The FBR had imposed 20 per cent RD on the import of seeds, jewelry boxes (49 per cent RD); doors, windows and other frames (49 per cent RD) and storage heating radiators (49 per cent RD).

The RD was increased on the import of 25 to 49 per cent on the import of waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured.

The FBR had imposed 49 per cent RD on the import of bath, shower-baths, sinks and washbasins; 24 per cent RD on toilet papers, toilet or facial tissue stocks and 49 per cent RD on the import of tableware and kitchenware.

The RD was increased from 30 to 49 per cent on the import of tableware, kitchenware, other household articles and toilet articles, of porcelain or china.

The RD was increased from 30 to 49 per cent on the import of table, kitchen or other household articles and parts thereof, of iron or steel, iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel.

The RD was increased from 15 per cent to 49 per cent on the import of spoons, forks, ladles, skimmers, cake- servers, fish-knives, butcher- knives, sugar tongs and similar kitchen or tableware.

The RD was increased from 10 per cent to 49 per cent on the import of hair dryers, other hairdressing apparatus, electric oven, electric ranges, electric roasters/grillers, other coffee or tea makers and toasters.

The RD was increased from Rs300/set to Rs1,000/set on the import of Line telephone sets with cordless handsets other having C&F value up to US$ 30 per set.

The RD was increased from Rs300/set to Rs1,000/set on the import of Line telephone sets with cordless handsets other having C&F Value up to US$ 30 per set.

The RD was increased from Rs.3000 per set to Rs.6000 per set on the import of Line telephone sets with cordless handsets having C&F Value above US$ 30 per set but not exceeding US$ 100 per set.

The FBR had imposed five percent RD on the import of all kinds of microphones and stands therefore; loudspeakers, whether or not mounted in their enclosures, headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers; audio-frequency electric amplifiers; electric sound amplifier sets.

The RD was increased on the import of LCD, LED and OLED from 15 per cent to 49 per cent.

The FBR had imposed 29 per cent RD on the import of electronic cigarettes and similar personal electric vaporizing devices. Similarly, 49 per cent RD was imposed on the import of smoking pipes including pipe bowls and cigar and cigarette holders and parts thereof. The FBR had raised RD from 30 per cent to 49 per cent on the import of spectacles, goggles and the like, corrective and protective or other.

R 21-2-2023

CABINET EXTENDS DUTY FOR 40 DAYS: ADDITIONAL DUTY ON CONSUMER GOODS WILL STAY TILL MAR-END TO DISCOURAGE IMPORTS

ISLAMABAD: The federal cabinet has further extended the timeframe for up to 100% regulatory duty on a range of consumer goods for 40 days to discourage their imports, a move that has not helped as much as the central bank's decision to disallow the provision of foreign currency for imports.

The move came amid a review by the State Bank of Pakistan (SBP) of the existing restrictive import regime that was in violation of the commitments made to the International Monetary Fund (IMF).

The decision to further extend the time period for additional duties beyond the initially approved limit of six months highlights the inconsistency in policies that discourages investors.

Through the circulation of a summary, the federal cabinet approved extension in the additional regulatory duty and customs duty on mobile phones, new and used cars, home appliances, meat, fish, fruits, vegetables, footwear, furniture and musical instruments till March 31.

According to the cabinet's August 2022 decision, these higher rates had to come to an end on February 21. Additional customs duty of up to 28% on cars has also been extended till the end of March.

Earlier, the plan was that the government would not further extend the duties, as the measure had become less effective due to the SBP's decision of disallowing the opening of letters of credit (LCs) for imports or the availability of foreign currency.

However, the Federal Board of Revenue (FBR) requested the Tariff Policy Board at the eleventh hour for an extension, which held an emergency meeting on Saturday and agreed on a 40-day extension.

Although the FBR told the Tariff Policy Board that the regulatory duty had helped contain imports of goods by 50%, the real reason was the SBP's guidelines to the commercial banks.

Over the past six months, mostly those goods were cleared that had already reached ports or for which LCs had been established but got stuck due to a previous ban on imports. The government had lifted the ban in August last year and replaced it with higher duties.

The FBR earned about Rs15 billion in revenues on those goods, mostly on the import of luxury vehicles that sneaked through the system during such pressing times.

The IMF is against any restrictions on imports, including the central bank's guidelines to the commercial banks to provide foreign currency to only half a dozen sectors.

The central bank is going to withdraw these instructions, possibly this week, in a bid to address one of the issues that were considered irritants during the Pakistan-IMF review talks. The restrictions imposed on imports caused more pressure on supplies and contributed to an increase in prices.

The IMF has advised the SBP to remove import restrictions and withdraw its guidelines issued to the commercial banks. The duty had been imposed in the range of 10% to 100%, but it impacted far less than $1 billion worth of imports in the last fiscal year.

Due to the central bank's restrictions, the imports during July-January of the current fiscal year dropped by 21% to $33.5 billion, showed the data released by the SBP. As a result, the current account deficit shrank 67% to $3.8 billion in the first seven months of FY23. But the IMF sees this improvement as unsustainable, believing that after the lifting of these restrictions, the imports will bounce back. It is of the view that the dollar price should determine the import level, instead of any administrative curbs.

The federal cabinet extended the duties on about 790 tariff lines. The government has targeted 49 tariff lines of vehicles and has imposed 10% to 100% regulatory duty and 7% to 28% additional customs duty on cars.

Up to 1,000cc new and old cars that were earlier exempted from the regulatory duty, have now been targeted with 100% duty, bringing total import taxes to 150%.

Similarly, the vehicles that were earlier subject to 77% import taxes are now being cleared at 169% taxes. The government has imposed 85% more regulatory duty and 7% additional customs duty.

The most expensive cars, both sports and high-engine capacity, have not been heavily taxed. These categories of vehicles were earlier subject to 197% of total duties at the import stage. Now, the government has imposed 28% additional customs duty and only 10% additional regulatory duty.

The regulatory duty on chocolates and washroom fittings is 49%. The duty on a mobile phone of more than $500 is Rs44,000 plus up to 25% sales tax of the value of the phone.

TR 21-2-2023

AIR TICKETS: NEW RATES OF FED FIXED

ISLAMABAD: The government has fixed new rates of Federal Excise Duty (FED) on air tickets of business, first class, and club class on the basis of regions/areas in line with the three-tiers of IATA.

The government introduced certain amendments to the Finance Supplementary Bill 2023 on Monday. Under the amended Finance Bill 2023, the government has made some technical amendments to the Income Tax Ordinance 2001 so that the 10 percent withholding tax on trading of shares be applicable on only those shares which are not traded on the stock exchange.

According to the new rates, the FED would be applicable on club, business and first-class air tickets issued on or after the date of commencement of the Finance (Supplementary) Bill 2023. Under the first slab, the rate of the FED would be Rs250,000 on the said tickets of IATA Traffic Conference Area-1 (North, Central, South America and Environs).

As per the second slab, the rate of the FED would be Rs75,000 on the said tickets of IATA Traffic Conference Area-2 (Middle East and Africa). The FED would be Rs150,000 for IATA Traffic Conference Area-2 (Europe). Under the third slab, the rate of the FED would be Rs150,000 on the said tickets of IATA Traffic Conference Area-3 (Far East, Australia, New Zealand and Pacific Islands).

Senate has made 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.

Through the Finance Supplementary Bill 2023, the government had increased FED on air tickets of business, first class, and club class. The FED was proposed to 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. Under the amended Bill 2023, the Federal Board of Revenue (FBR) has rectified an error and clarified section 37A of the Income Tax Ordinance 2001.

Under the Bill, the cross-over between Tier 1 and Tier 2 increased from PKR 6,660 to PKR 9,000 (Cut-off Price from PKR 155 to PKR 212). There is an increase in cigarette excise duty of Tier 1 – PKR 6,500 to PKR 16,500 per 1,000 cigarettes (From PKR 130 to PKR 330). There is an increase in cigarette excise duty of Tier 2 – PKR 2,050 to PKR 5,050 per 1000 cigarettes (From PKR 41 to PKR 101).

No brand shall be priced and sold at a retail price (excluding sales tax) lower than 60 per cent of the retail price (Minimum Price increased from PKR 70.12 to PKR 127.44). The Tier 1 brands irrespective of price change post amendment shall remain in Tier 1 and 18 percent GST will be applied to the printed pack price, the amended bill added.

INCREASE IN GST: CAP ANNOUNCES DECISION TO RESIST IMF PRESSURE

LAHORE: The Chainstores Association of Pakistan (CAP) on Monday announced its decision to resist the IMF pressure, as the new taxation measures would add to the miseries of the traders who are already coping with a serious financial crisis. CAP Chairman Rana Tariq Mehboob said that increase in general sales tax to 18% in the new proposed Finance Bill will increase the difficulties of the traders who are facing serious financial crisis.

In a statement issued here, the CAP chairman said that the newly-introduced taxes would bring down the purchase power of the consumer. He observed that it would ultimately hit the manufacturing sector very badly. “It would be better if the government takes measures to give expansion to the tax net instead of introducing new taxes for the already taxed segments of the society,” he said. While crriticising the one percent sales tax increase, he said it had been the tradition of the government to axe the handful of tax payers over and over instead of expanding its tax net. Only tier-one retailers are paying the tax in big cities, which has robbed the formal sector of competitiveness and a level-playing field.

Under the domino effect of dollarisation, the skyrocketing inflation, which is already in the midst of a decade-high level, along with the unprecedented rupee depreciation, high energy tariffs, escalating markup rate, rising commodity prices, fluctuating exchange rate and balance-of-payment crisis, will lead to further hike in headline inflation, taking a toll on the local economy, he warned. He demanded that State Bank of Pakistan should take concrete steps to stabilize the currency as businesses and industrial activities are badly affected.