PRESIDENT ALVI APPROVES MINI-BUDGET

ISLAMABAD: President Dr Arif Alvi on Thursday approved the Finance (Supplementary) Bill 2023, also known as the mini-budget.

The approval was given under Article 75 of the Constitution which states that when a bill is presented to the president for assent, the president shall, within 10 days assent to the bill.

Earlier, the National Assembly had *passed* the Rs170 billion mini-budget with some tinkering, bringing Pakistan closer to the staff-level agreement with the International Monetary Fund (IMF), but at the cost of pushing people deeper into the poverty trap.

The lower house of parliament had approved the budget with a majority vote in a house devoid of genuine opposition voices. The approval has given effect to the new taxation measures of Rs170 billion, having an annual impact of about Rs550 billion.

The majority of the taxation measures were implemented, although the president had not given his assent when the bill was passed by the National Assembly.

In his wind-up speech, Finance Minister Ishaq Dar had admitted that "inflation was unbearable for the people" but threw the blame on the maladministration of the previous government of former prime minister Imran Khan.

Finally, Dar had admitted that the news stories about Rs675 billion to Rs700 billion taxes were not untrue and the IMF had demanded those measures, which the government did not accept. "After the approval of the budget, we are very near to the staff-level agreement," Dar had said, while briefly speaking to the media. He had added that almost all major issues with the IMF were sorted out.

TR 23-2-2023

NA BODY PROPOSES SUPER TAX LEVY: RECOMMENDS TAX APPLICATION TO ALL ENTITIES BASED ON PROFIT LEVELS

ISLAMABAD: The National Assembly Standing Committee on Finance and Revenue has recommended a comprehensive super tax applicable to all entities, which will be based on their profit levels, as proposed by the Federal Board of Revenue (FBR).

The committee, in a meeting, demanded a progress report from the authorities concerned on measures taken to investigate the conduct of banks allegedly involved in exchange rate manipulation.

During discussion, Minister of State for Finance and Revenue Dr Aisha Ghaus Pasha gave assurances that the government had devised a plan to implement macroeconomic and structural policies with a view to minimising economic imbalances, fostering a long-lasting inclusive growth and generating employment opportunities.

She apprised the committee of the delay in ninth review of the International Monetary Fund's (IMF) programme. Estimates of expenditures concerning humanitarian assistance, in relation to the flood-related incidents, as well as those of priority rehabilitation expenditures have remained pending since Sept 2022, she added.

TR 22-2-2023

FBR OPPOSES PROPOSED TAX INCENTIVES FOR REFINERIES

ISLAMABAD: Federal Board of Revenue (FBR) opposed draft refining policy proposal offering 7.5 percent duty on mogas and high speed diesel for 25 years and tax holiday of 20 years fearing International Monetary Fund (IMF) conditions on exemptions. The FBR opposition comes prior to the pitching of the much-awaited policy for refineries in the Cabinet Committee on Energy (CCoE).

The tax collecting agency argued that the exemptions for brown industry (existing local refineries) should be extended to the new refineries (greenfield), a senior official of the Energy Ministry told The News. However, the official also disclosed that the Planning Commission endorsed the draft for new refineries policy arguing that the country badly needed a new refinery with the capacity to refine 350,000 barrels per day.

Investment for the new refinery would come from the Saudi Aramco. So extending the incentives of 7.5 percent deemed duty for 25 years and tax holiday of 20 years as has been asked by Saudi Aramco would be a win-win situation for both countries.

The official said if the incentive package for the new refinery asked by Saudi Aramco was implemented, the pre-tax (internal rate of return) would stand at 15 percent, but the post-tax IRR would be at 14.9 percent. While meeting Aramco's hurdle rate of 12-15 percent, the reduction tankage requirement for crude and liquid products would further increase the IRR. Mentioning the impact of accepting Saudi Aramco conditions, the official said Pakistan might avail net foreign exchange of $9 billion in 25 years. Aramco would make the entire crude supply for utilisation in the proposed refinery.

The first mega refinery of 350,000 bpd would be established in Pakistan and this would open the door for further investment from other parts of the world, especially from China. Authorities said that if the Aramco conditions were accommodated, there would be a serious impact on the country's revenue on finished POL and crude oil.

Saudi Arabia has also asked for a waiver of the customs duty already imposed at 5 percent on the import of crude oil for the refinery. However, the official said, Pakistan had no option but to extend the incentives asked by Aramco as a new refinery was badly needed for the country.

Once the comments from all stakeholders have been received on a circulated draft of the portion of the refining policy that deals with the greenfield refineries, the summary would be sent to CCoE for approval. However, the draft refining policy that deals with the upgradation of brown refineries was ready to be tabled before the CCoE for approval. As per the finalised draft for the local refineries upgradation available with The News, the existing refineries would be extended tariff protection equal to the existing customs duty (10 percent) on imported mogas and diesel.

The funds that would be arranged through tariff protections would be utilised after financial close of six years for the purpose of the refinery's upgradation, which should absorb about 25-30 percent of the project cost, the official informed.

Oil and Gas Regulatory Authority (OGRA) would monitor the fund utilization process as per their committed work plan and milestones, subject to verification by one of the top four audit firms.

Local refineries produce refined products around 11 MTPA (inclusive of 30 percent local crude processing). Deficit crude oil and petroleum products worth about $10 billion are annually imported.

Indigenous and imported crude is refined by the five local refineries. Refineries are a strategic asset and cater to the fuel requirements of transport, energy, defence, etc. Refineries play an effective role in an emergency situation such as pandemic and war conditions.

Local refineries are required to be upgraded for producing Euro-V specification fuels and minimising the production of residual fuel (furnace oil), requiring a huge capital investment of around $4 billion to $4.5 billion as well as the government's fiscal support.

Saudi Aramco, the official said, had refused to accommodate Pakistan State Oil's offer of 10 percent deemed duty for 10 years with a 10 years tax holiday for the new mega refinery.

"The Saudi Aramco in its charter of demands also asked for third-party investments in critical infrastructure to reduce CAPEX (capital expenditure) and stressed the participation of Chinese investment with their capability to de-risk the investment," he said.

"The establishment of the greenfield refinery will shield Pakistan from any volatility in the supply chain of petroleum products across the country, in the future," he said.

TN 23-2-2023

FBR'S ONLINE SYSTEM SHOWING GOVT DEPTS AS 'INACTIVE'

ISLAMABAD: The Federal Board of Revenue's (FBR) online system is showing the status of government departments/ organisations, including the Federal Tax Ombudsman office (holders of Free Tax Numbers), as "inactive" due to system flaws.

In a communication to the chairman of FBR, tax lawyer Waheed Shahzad Butt pointed out that the income tax status of the Federal Tax Ombudsman (FTO) office is "Inactive" due to the non-filing of income tax returns. When contacted, a senior FBR official told Business Recorder that the FTO office is a constitutional position of the federal government and the federal government department, not making any income, and is not liable to file income tax returns. The federal government is not required to file income tax return, he added.

The FBR has allocated Free Tax Numbers (FTNs) to all government departments including the FTO office and for the purpose of deduction of withholding taxes being withholding agents. Their tax liability is to deduct and deposit the withholding taxes as they are not doing any kind of business or earning profits. The holders of the FTNs are not liable to file returns and it is a system flaw that the FBR is showing FTNs as "inactive". When such government departments are allocated FTNs, then there is no need to give them the status of "inactive". Mostly, the FTNs are legally required to file withholding statements of income tax and sales tax electrically, but they are not filing their withholding statements.

The letter of Waheed Shahzad Butt addressed to the FBR chairman stated that the office of the FTO has not filed its own income tax returns within time prescribed under Section 114 of the Income Tax Ordinance, 2000. It is learnt that a tax lawyer Waheed Shahzad Butt under the provision of Article 19A of the Constitution questions the working of senior FBR officials to remain silent to enforce fiscal laws in the Islamabad Capital Territory when there is a blunt violation of law by the government departments.

As per law, the personnel's representing forum of accountability (FTO) are public servants in the light of Section 27 of the FTO Ordinance, 2000 read with Section 21 of the Pakistan Penal Code, 1860. Waheed Shahzad's questions to FBR under Article 19A of the Constitution why the only forum of accountability (FTO) remain "Inactive" for many years, letter of the lawyer to the FBR chair added.

R 23-2-2023

EXCESSIVE DEDUCTIONS: FTO ASKS FBR TO STOP TAXING HIRED LECTURERS

LAHORE: Federal Tax Ombudsman (FTO) Dr Asif Mahmood Jah has directed the Federal Board of Revenue (FBR) to stop burdening the hired lecturers at educational institutions with excessive tax deductions at withholding (WHT) stage. Instead, he said, the field formations of the Board should process cases of hired lecturers under relevant legal provisions to save them from grave hardship being suffered ever since hired by the concerned educational institutions.

According to him, the office of FTO was receiving dozens of complaints every year from the lecturers hired as temporary lecturers at different post graduate colleges across the country. Majority of the complainants are of the view that their salary was not liable to tax but the administrations of their respective institutions were deducting income tax at the rate of 20% out of their salaries. All the lecturers are of the viewpoint that their salary is below the taxable limits for salaried persons.

The FTO pointed out that the field formations of the Board take a stance that the payment made to the lecturers falls under the head of services, which attracts 10% tax deduction against the gross amount payable. Since most of the lecturers are non-filers and their names were not appearing on the active taxpayer's list, therefore deduction against their salaries is increased by 100% of the rate specified. It may be noted that income tax is deducted at the rate of 10% in case of filer and 20% in case of non-filer.

Dr Jah pointed out that the relevant provisions of the income tax law carried an inherent flaw as neither they obligate any valid contract of employment nor place any other condition for a case to be treated as a salaried case except for employer-employee equation based on master-slave relationship.

According to him, the department was not creating any distinction between regular, adhoc, temporary, hired, daily wager employee and follows the criteria of master-slave relationship as a basic parameter for any employment, which is not the spirit of the law. He said the department was treating the hired employees' wages at par with pay, as it was not ready to exclude them from the ambit of salary deduction. He asserted that such treatment of the hired lecturers on the part of FBR was against the dictates of law, therefore, excessive tax deductions from the pay/wages of the hired employees of the educational institutions tantamount to maladministration in terms of the FTO Ordinance, 2000.

According to him, the office of FTO termed any such treatment against the hired employees as illegal in the case of employees of Pakistan Broadcasting Corporation. The FBR had also conceded the wrong act being done in such cases while implementing the FTO's orders in letter and spirit but circulated widely among all the concerned.

R 22-2-2023

SHC SUSPENDS AUCTION, ORDER PROVISIONAL RELEASE ON SECURING DISPUTED AMOUNT OF DEMURRAGE

KARACHI: The auction notice issued by Pakistan Customs dated 15-11-2022 in respect of a consignment imported by Sunlife Solar Co (Pvt) Ltd was suspended for a week while request for provisional release was allowed by a custom appellate bench of High Court of Sindh.

The bench heard a counsel from well reputed law firm Franklin Law Associates who referred to an order passed in petition CP-D 6887/2022 on identical issue and grounds. He said that consignment is at port and delay was due to the action by the custom authorities who have now issued a delay detention certificate. As the terminal operators have challenged the relevant section which allows remission of port charges against delay detention certificate is now under challenge before the Supreme Court of Pakistan and for the reason, the certificate is not being entertained/accepted.

The bench allowed the prayer for provisional release subject to securing of disputed amount of demurrage charges before the Nazir of HC by way of pay order. The Nazir was directed to encash the same and invest it in some government profitable instrument while respondents were ordered to release the goods after issuance of certificate by the Nazir. The fate of the amount was linked to the decision of apex court. The petition was thus disposed of in above terms.

CN 22-2-2023

IRAN ESTABLISHES SIX BORDER MARKETS TO PROMOTE TRADE WITH PAKISTAN

KARACHI: Iran has established six border markets to promote trade with Pakistan, said Iranian Consul General Hasan Noorain. During his visit to Korangi Association of Trade and Industry (KATI), he said that the volume of bilateral trade has reached $2 billion dollars in the last 10 months, while the target has been set at $5 billion. "However, due to the absence of a banking channel, trade is facing difficulty," he added. President KATI Faraz-ur-Rehman, Deputy Patron-in-Chief Zubair Chhaya, Senior Vice President Nighat Awan, Former Presidents Farukh Mazhar, Shaikh Fazal-e-Jalil, First Consul of Iran Masoud Kian Bakhsh and others participated in the ceremony.

Iranian Consul General Hasan Noorain further said that the visa policy has been relaxed and 6 new border markets have been established to promote trade with Pakistan. He said that progress is also being made in barter trade, in this regard, all the preparations are complete on Iran's side, while on Pakistan's side, Federal Board of Revenue (FBR) is developing software that will make barter trade possible.

The Iranian Consul General further said that there are friendly and brotherly relations between Pakistan and Iran but unfortunately the trade between the two countries has not developed as it should have. He said that all obstacles to the free trade agreement between the two countries have been removed, after which Iran-Pakistan trade in 600 products will be possible.

The counsel general said that the trade delegation of Iran had a successful visit recently after which a memorandum of understanding was signed with the Trade Development Authority of Pakistan (TDAP). Hassan Noorain said that under the agreement with Pakistan, the National Logistics Cell (NLC) has been allowed to access the European market through Iran. Earlier, KATI President Faraz-ur-Rehman said that there are friendly relations between the two countries. We are happy that several agreements have been concluded with the Iranian trade delegation. However, due to the global crisis, there has been a big difference in trade. There are immense opportunities for trade between the two countries. The absence of a banking channel is a major problem that needs to be solved urgently. President KATI said that the shortage of petroleum products and gas in Pakistan can be met by Iran. There is a need to promote barter trade between the two countries. Recently, Iran's Single Country Exhibition brought awareness to Iranian products. However, Iranian products are being used frequently in other parts of the country including Balochistan.

Deputy Patron-in-Chief Zubair Chhaya said that due to the global economic crisis and lack of foreign exchange, Iran and Pakistan can increase trade transactions through these products in local currency by exchanging a list of items based on exports and imports in their countries. While Iran and Pakistan can increase trade transactions through these products in local currency by sharing the list of items based on exports and imports in their countries. Zubair Chhaya said that there is a lot of consumption of petrochemical products from Iran in Pakistan. While the lack of a banking channel should be resolved immediately. The Former President of KATI, Farrukh Mazhar, also addressed the event.

PR 22-2-2023

FBR TO CONTINUE INSPECTING VEHICLES HAVING NO IMPORT PAPERS

ISLAMABAD: The Federal Board of Revenue (FBR) will continue the search and inspection of vehicles of goods transporters where they failed to carry import documents of goods coming from Karachi to other parts of the country. Sources told *Business Recorder* on Wednesday that FBR Chairman Asim Ahmed and the Goods Forwarding Association have different view points over the issue of checking of vehicles carrying imported documents. Before the FBR chairman, the goods forwarders made serious allegations of speed money and corruption against the customs authorities deputed at checks posts across Pakistan.

The FBR chairman insisted on documentation by the transporters and presentation of documents of imports at the time of checking, whereas, the transporters opined that checking should only be done at the place of arrival/ departure of vehicles, but no checking should be done during the transportation of vehicles from one place to another.

According to the brief submitted by the FBR to the Parliament on Wednesday, Rawalpindi Goods Forwarding Association has complained that Customs goods are unnecessarily checked during transportation across the country on the pretext of being smuggled ones.

The complaint has been examined by the Board. The necessary legal changes in the Customs Act, 1969, will be considered in consultation with the stakeholders during the next budget 2023-24. However, the FBR has taken serious notice of the complaints.

All field formations have been directed by the customs-cleared imported goods duly accompanied by import documents and showing the direct transportation from the port/ station of clearance may initially be subjected to tallying the documents with the transport/ container.

In case of any discrepancy, the goods may only be checked after permission is solicited from the concerned Additional Collector of the Collectorate. Furthermore, if the examination of goods is required, it will be conducted in the presence of deputy/assistant collector. Any discrepancy reported during the examination shall be verified, the FBR added.

R 23-2-2023

GOVT URGED TO WITHDRAW 11PC LAND TAX ON THE SALE AND PURCHASE OF LAND IN KHYBER PAKHTUNKHWA

MANSEHRA: The Jamiat Ulema-i-Islam-Fazl leader and former provincial minister Shahzada Gustasap Khan on Wednesday demanded the federal government to withdraw the 11 percent levy on the sale and purchase of land in Khyber Pakhtunkhwa. “The revenue earned by the government through sale and purchase of land has plunged drastically as people. And the investors have started quitting the real estate business owing to an all-time-high levy imposed by the federal government.

TN 23-2-2023

FBR SEIZES PIA BANK ACCOUNTS YET AGAIN: MOVE COMES AS NATIONAL CARRIER FAILS TO PAY TAXES WORTH RS2.86B

KARACHI: The Federal Board of Revenue (FBR) has seized the bank accounts of the Pakistan International Airlines (PIA) yet again for not paying its taxes amounting to Rs2.86 billion.

“The government dues amounting to Rs2,864 (M) are outstanding against M/S Pakistan International Airlines NTN: 0803450 for multiple tax periods,” read a letter written by Deputy Commissioner Inland Revenue Unit-02 Sharjeel Ahmed to the bank’s manager.

“Now therefore, in exercise of powers conferred under Section 14(3) read with Rule 60(1)(d) of the Federal Excise Act, 2005, I do hereby issue/serve this notice for attachment of [the] bank account … and any other bank account maintained against NTN: 0803450 of the defaulter maintained with your bank if any, with immediate effect till the amount of tax is paid or recovered in full,” it further stated.

“It is requested to record, sign and stamp the balance amount at the time of service of notice in the bank account(s), and provide the bank statement for the period 01-07-21 till date reflecting [the] balance on the date of attachment … with immediate effect and issue [a] pay order in favour of the Commissioner Inland Revenue, Zone-I, Large Taxpayers’ Office, Karachi, under intimation to this office for further action,” it added.

In January last year, the FBR had frozen 53 bank accounts of the PIA after it was found to be a tax defaulter of Rs26 billion, only to restore them later in the day after the airline’s CEO met with the tax body’s chief.

The PIA CEO assured the FBR that the airline would continue paying its arrears despite the challenges it was facing and consult with the cabinet for guidance.

The freezing of the accounts would have affected the countryside operations of the airline.

There were also plans to issue arrest warrants for the PIA managing director for the recovery of dues.

In September 2021, the government had approved a Rs44 billion bailout package for the PIA in the shape of cash and sovereign guarantees after its failure to bring any improvement to the financial condition of the national flag carrier in three years.

The amount of Rs44 billion had been provided amid mounting losses of the PIA that had reached Rs542 billion by June 2020.

In order to facilitate the borrowing, the Economic Coordination Committee (ECC) of the Cabinet had extended the guarantee limit from Rs226 billion to Rs247.6 billion.

The money was planned to be borrowed from commercial banks on the back of sovereign guarantees of the finance ministry.

TR 23-2-2023