ROLE OF FD, FBR: INFO TECHNOLOGY MINISTER MAKES SARDONIC COMMENT

ISLAMABAD: The Finance Division and the Federal Board of Revenue (FBR) need to understand the issues being faced by the IT and telecom sector, but their mindsets revolve only around "atta, dal [flour and pulses]", said Federal Minister for Information Technology and Telecommunication Aminul Haque. "The tax rate was increased on mobile phones which would generate around Rs200 million, but I pleaded before the prime minister in the cabinet not to increase tax on mobile phones and they would generate in billions," said the minister while addressing at the opening ceremony of 22nd ITCN Asia International IT & Telecom Show, here on Thursday.

The minister later talking to media persons said that like other industries, the IT and telecom industry is facing problems due to non-opening of letters of credit (LCs). The ministry is in touch with the State Bank and the Ministry of Finance on the issue, as non-opening of LCs has affected the quality of service in the telecom sector. He further said that due to the absence of the Pakistan Telecommunication Authority (PTA) chairman, only day-to-day affairs were being run. "The PTA is a regulatory body and comes under the Cabinet Division. We are discussing this matter with the Cabinet Division and will also meet the prime minister soon and take up the issue of appointment of the PTA chairman." Addressing the opening ceremony, he said all ministries were digitised and the next target was to make Parliament paperless.

INDUSTRIES/SECTORS EARNING OVER RS300M: SC DIRECTS PAYMENT OF 4PC SUPER TAX WITHIN A WEEK

ISLAMABAD: The Supreme Court of Pakistan (SC) has directed the industries/sectors earning income above Rs300 million, which are liable to pay 10 percent super tax for the Tax Year 2022, to deposit the same within one week, at the rate of four percent. Moreover, in cases where a bank guarantee was furnished before the High Court, the same will be encashed to the extent of four percent by the Federal Board of Revenue (FBR).

In this regard, the SC has issued a judgement in the matter of super tax dated February 16, 2023. The industries/sectors are airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertiliser, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar, and textiles. Top chartered accountant and former Federal Board of Revenue (FBR) chairman Shabbar Zaidi is of the view that this order of the SC does not apply to taxpayers in Sindh and the Sindh High Court judgement on this matter continues to apply because the SC's order deals with encashment of cheques that were issued pursuant to the Lahore High Court's orders on this matter.

According to the SC's order, the respondents which are liable to pay super tax at the rate of 10 per cent under the proviso shall deposit the same within one week at the rate of four per cent which is applicable to the assessee industries earning income exceeding Rs300 million as provided in Division II B but falling outside the proviso thereto. In the event that the respondents have furnished bank guarantees on the direction of the High Court then the same shall be en-cashed by the petitioner to the extent of four percent tax.

Learned counsels for the petitioner have pointed out that the tax year 2022 for which the impugned Super Tax under Section 4C of the Income Tax Ordinance, 2001 ("Ordinance") has been imposed starts from July 1, 2021, until June 30, 2022. In the present case, the respondents being high-earning taxpayers with incomes greater or equal to Rs300 million claim that they do not fall within the purview of super tax for two reasons.

First, because their accounting year ended on December 31, 2021, prior to the close of Tax Year 2022 on June 30, 2022. Therefore, the impugned super tax was being demanded by the petitioner with retrospective effect.

The court is not persuaded by the arguments at this stage because according to the counsel for the petitioner, the accounting year of the respondents ends during the course of the Tax Year 2022 to which the provisions of Section 4C are lawfully applicable. The order added that the rates of super tax under Section 4C are specified in Division IIB, Part I of the First Schedule to the Ordinance. However, the First Proviso to Division II B charges income earners of more than Rs300 million falling within the category of certain specified industries to a higher rate of tax at 10 per cent. Otherwise, the rate of tax is four per cent for such earners in other industries or businesses.

The High Court has found in favour of the respondents on that score on the ground of discrimination. The FBR chairman submitted that the said argument cannot form the basis of altogether striking down the impugned super tax because implicitly the respondents' argument accepts liability to taxation at the rate of four per cent.

However, he is not able to explain to us the justification for charging super tax at a higher rate for industries specified in the first proviso. We grant him time to prepare his case on that point, the SC said.

The SC has issued notices to the respondents in all petitions. The case has been relisted in the week commencing March 13, 2023.

DEBT AND DEBT INSTRUMENTS: PROFIT ON DEBT AND CAPITAL GAINS GIVEN TAX EXEMPTION

ISLAMABAD: The Federal Board of Revenue (FBR) has exempted income tax on profit on debt and capital gains from debt and debt instruments approved by the federal government, derived by any approved non-resident banking company.

The FBR has amended the Seventh Schedule (rules for computation of the profits and gains of a banking company and tax payable thereon) of the Income Tax Ordinance 2001 through a notification issued on Thursday. According to the notification, in exercise of the powers conferred by rule 10 of the Seventh Schedule to the Income Tax Ordinance, 2001, the federal government has made further amendment in the Seventh Schedule. Under the new sub-rule, profit on debt and capital gains from debt and debt instruments approved by the federal government shall be exempt from tax chargeable under the Income Tax Ordinance, derived by any non-resident banking company approved by the federal government for the purpose of this sub-rule, the FBR added.

RS170BN TAXES APPLY TO MEET IMF CONDITIONS: PRESIDENT SIGNS FINANCE BILL INTO LAW

ISLAMABAD: President Arif Alvi Thursday signed the Finance (Supplementary) Bill, 2023, implementing additional taxes and duties of Rs170 billion to meet the understanding reached with the International Monetary Fund for Extended Fund Facility.

Now, Finance (Supplementary) Bill, 2023 has become an Act from February 23, 2023. The president has signed the Finance (Supplementary) Bill, 2023 under Article 75 of the Constitution.

The IMF had asked the government to raise an additional Rs170 billion in tax revenue. The bulk of tax measures at cost of Rs115billion was already implemented from February 14 through Statutory Regulatory Orders (SROs). Now, after the president's formal assent, the remaining Rs55billion tax measures will come into effect. The Finance (Supplementary) Act, 2023 has enforced the additional taxation measures across Pakistan including raise in the Federal Excise Duty on business class and club class air tickets and a raise of the FED on beverages and juices. The FED has been enhanced on sugary and aerated drinks, while FED has also been increased on cement. According to the Act, the general sales tax (GST) has been increased from 17 to 18 per cent. It has been decided to enhance the GST on luxury items from 17 to 25 per cent.

The finance bill or "mini-budget" has been approved under Article 75 of the Constitution of Pakistan. According to the sources, the Prime Minister Secretariat had sent the bill to the President Secretariat on Wednesday evening for assent, the National Assembly passed the bill lost Monday (21 February).

The president gave approval to the bill in accordance with Article 75 of the Constitution of Pakistan. Under Article 75 (1), the president has no power to reject or object to the finance bill, which is considered to be a money bill as per the Constitution. According to Article 75 (1), "When a Bill is presented to the President for assent, the President shall, within ten days: - (a)assent to the Bill; or (b)in the case of a Bill other than a Money Bill, return the Bill to the Majlis-e-Shoora (Parliament) with a message requesting that the Bill, or any specified provision thereof, be reconsidered and that any amendment specified in the message be considered."

Under this Act, sales tax is increased from 17-25 percent on 33 categories of goods covering 860 tariff lines — including high-end mobile phones, imported food, decoration items, and other luxury goods. The People will also have to pay more for business-class air travel, wedding halls, mobile phones, and sunglasses.

The prime minister on Wednesday unveiled a host of austerity measures to save Rs200 billion — aimed to keep the country afloat as the nation buckles up to meet the IMF's terms.

According to the sources, Pakistan and the IMF will sign the staff-level agreement on February 28, 2023. They said the IMF executive board meeting is expected in the first week of March.

IMPORT OF LUXURY ITEMS ST: FBR EMPOWERED TO IMPOSE HIGHER RATE OF 25PC

ISLAMABAD: The Finance (Supplementary) Act, 2023 has empowered the Federal Board of Revenue (FBR) to impose a higher rate of 25 percent sales tax on the import of luxury items.

According to the Finance Act, 2023, issued by the government on Thursday, the federal government may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that the tax on goods specified in the Third Schedule shall be collected and paid at such higher rate or rates on the retail price thereof, as may be specified in the said notification.

Earlier, the FBR has no powers of the federal government to impose 25 percent sales tax through a statutory regulatory order (SRO). Finance (Supplementary) Act 2023 has given such powers to the FBR to impose higher rates of sales tax. Under the Finance (Supplementary) Act 2023, 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. As per Act, 10 percent FED would be applicable on sugary fruit juices, syrups and squashes, and waters whether or not containing added sugar or artificial sweeteners excluding mineral and aerated waters.

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