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2024

BUDGET EXECUTIVE SUMMARY

Tariq Abdul Ghani & Co.
Chartered Accountants



CONTEXT OF THE SUMMARY

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2024 (the Bill) relating to Income Tax, Sales Tax and Federal Excise Duty, divided into following sections;

SECTION A → INCOME TAX

SECTION B → SALES TAX

SECTION C → FEDERAL EXCISE DUTY [FED]

This document is not a brief of all changes and should be viewed as such. In order to obtain a detailed, section-wise brief, please feel free to contact us.

Nothing contained in this document shall be construed as our advice in general or on a given case, accordingly, for ascertaining any effect of these changes in general or particular, the wordings in the Bill should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

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June 13th, 2024

SECTION A: INCOME TAX

REVENUE MEASURES

1. **Slabs for income tax on both business income and salaried income are proposed to be revised. (Ref: Appendix 1)**
2. The tax credit available to a member/partner of an AOP on his/her share of income from that AOP is proposed to be made conditional to the submission of duly audited annual accounts along with Income Tax Return, in case the Annual Revenue of that AOP exceeds **[Rs. 300 million]** in a particular tax year or any previous tax years.
3. Restriction on foreign travel for a non-filer Pakistani is proposed to be imposed, to enforce filing of income tax returns.
4. Scope of best judgment assessment by FBR is proposed to be expanded to failure to file return of income for transitional period along with notice of discontinuance of business to Commissioner FBR.
5. Quarterly Advance Tax estimation is proposed to be increased to 120% (from 110%) of the previous year turnover.
6. Board is proposed to be given powers to notify minimum value on certain goods on which advance tax on import stage shall be levied.
7. **Option to obtain withholding tax exemption (no withholding under Section 153) on payments by customers is proposed to be withdrawn by limiting exemption to reduced rate only.**
8. **"FINAL TAX REGIME"** for exporters is proposed to be withdrawn and converted to **"MINIMUM TAX REGIME"**. *Exporters are proposed to be charged an additional adjustable advance tax at 1% on export proceeds, in addition to 1% minimum tax under Section 154.*
9. Failure to comply with **Tajir Dost Scheme** is proposed to be penalized with sealing the shop premises of retailers and even imprisonment for owner as well
10. *Default Surcharge is proposed to be increased to "KIBOR + 3%" from "12%" fixed rate.*
11. Scope of Advance Tax Imposition on sales to distributors, dealers, wholesales, retailers under 236G or 236H is proposed to be expanded to all sectors instead of specified sectors currently.
12. *Rate of advance tax under 236G and 236H is proposed to be enhanced to 2% (from 0.2%) and 2.5% (from 1%), respectively for non-filers.*
13. Rate of dividend income from mutual funds (having 50% or more profit on debt income) is proposed to be increased from 15% to 25%.
14. Withholding tax rate for toll manufacturing under Section 153 is proposed to be increased to 9% (from 5%) in case of a company and 11% (from 5.5%) in case of other than a company.
15. **Non-Filers (notified by Board in an Income Tax General Order) are proposed to be charged 75% Advance Tax on their internet, cellphone or telephone bills.**

16. Advance tax on motor vehicles is proposed to be based on the value of the vehicle, as opposed to fixed amount till 2000cc currently.
17. Capital Gain Tax on disposal of securities and immovable properties is proposed to be revised and be charged at **Minimum 15%** (irrespective of holding period) and on normal tax slabs for those not appearing on Active Taxpayer List.
18. Advance tax on **purchase of immovable properties (236K)** are proposed to be enhanced progressively up to 4% for filers and upto 20% in case of non-filers, based on the slabs of fair market value. (Ref: Appendix 2)
19. Advance tax on **sale of immovable properties (236C)** are proposed to be enhanced progressively up to 4% for filers, based on the slabs of fair market value and 10% in case of non-filers. (Ref: Appendix 3)
20. Persons who are active tax payers but have not filed their Income Tax Return on due date (late filing with ATL surcharge paid) are now proposed to be subject to double advance/withholding taxes, just like non-filers. *These persons are proposed to be charged upto 8%, as advance tax on sale (236C) and purchase (236K) of immovable property, based on slabs of fair market value.* (Ref: Appendix 2 and 3)
21. Income Tax Exemption provided to any grant received from the Federal Government (Under Second Schedule- Part 1) is proposed to be withdrawn.
22. Withholding tax for distributors of cigarette and pharmaceutical products is proposed to be increased to 2.5% from 1%.
23. **25% Tax Reduction available to full time teachers and researchers is proposed to be withdrawn.**
24. **Withholding taxes on profit on debt for non-filers (e.g., on savings account) is proposed to be increased to 35% from 30%.**

RELIEF MEASURES

25. Income Tax Exemptions and withholding tax exemptions (incl. Salary)) provided to persons of Tribal Areas (after their merger into KPK) is proposed to be extended till **[30th June, 2025]**.
26. Advance tax under Section 37A is proposed to be exempted from implication of double rates for non-filers under Section 100BA.

APPENDIX – 1: INCOME TAX PROPOSED SLABS FOR SALARY AND BUSINESS

FOR OTHER THAN SALARIED [BUSINESS INCOME]		
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs.90,000 + 20% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs.170,000 + 30% of the amount exceeding Rs. 1,600,000
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs.650,000 + 40% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds Rs. 5,600,000	Rs.1,610,000 + 45% of the amount exceeding Rs. 5,600,000

FOR SALARIED [SALARY INCOME]		
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs.30,000 + 15% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs.180,000 + 25% of the amount exceeding Rs. 2,200,000
5	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs.430,000 + 30% of the amount exceeding Rs. 3,200,000
6	Where taxable income exceeds 4,100,000	Rs.700,000 + 35% of the amount exceeding Rs. 4,100,000

APPENDIX 2: ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY [236k]

DESCRIPTION	PROPOSED RATE OF TAX		
	ACTIVE FILERS	NON-FILERS	ACTIVE BUT LATE FILERS**
Where fair market value of property does not exceed Rs. 50 Million	3%	12%	6%
Where fair market value of property exceeds Rs. 50 Million but does not exceed Rs. 100 Million	3.5%	16%	7%
Where fair market value of property does exceeds Rs. 100 Million	4%	20%	8%
** If a taxpayer files tax return after due date but pays ATL surcharge			

APPENDIX 3: ADVANCE TAX ON SALE OF IMMOVABLE PROPERTY [236C]

DESCRIPTION	PROPOSED RATE OF TAX		
	ACTIVE FILERS	NON-FILERS	ACTIVE BUT LATE FILERS**
Where gross consideration does not exceed Rs. 50 Million	3%	10%	6%
Where gross consideration exceeds Rs. 50 Million but does not exceed Rs. 100 Million	3.5%		7%
Where gross consideration does exceeds Rs. 100 Million	4%		8%
** If a taxpayer files tax return after due date but pays ATL surcharge			

SECTION B→SALES TAX

REVENUE MEASURES

1. The penalties and related punishments for sales tax frauds are proposed to be made harsher than before, to discourage such illegal activity.
2. *Default Surcharge is proposed to be increased to "KIBOR + 3%" from "12%" fixed rate.*
3. Board is proposed to be given powers to notify any persons or class of persons, for the purposes of integration with licensed software providers (*electronic invoice issuance made compulsory*).
4. DAP (fertilizer) is proposed to be included in Third Schedule now, leading to retail price taxation.
5. Zero Rating on certain items, including MILK, FAT FILLED MILK is proposed to be withdrawn. **However**, Local Supply of Milk (excl. sold under brand name) is proposed to be exempted from imposition of sales tax.
6. Zero Rating on local supply of raw materials, components, parts, plant and machinery to Exporters under Export Facilitation Scheme, 2021 is proposed to be withdrawn.
7. *Sales Tax Exemption on the following items is proposed to be withdrawn;*

DESCRIPTION	PROPOSED RATE
Edible Vegetables and Fruits imported from Afghanistan	18%
Newsprints and Books	10% (refund of excess input tax not allowed)
Colors in sets (poster colors)	10%
Writing, drawing and making inks	10%
Erasers, Exercise Books, Pencil Sharpeners	10%
Pens, ball pens, markers, pencils incl. color pencils	10%
List of medical equipment's, diagnostic kits related to cardiology, endoscopy etc.	18%
Supply of plant and machinery, equipment, electricity in tribal areas or for industries in tribal areas	6% till 30 th June 2025 and 12% afterwards
Goods supplied to charitable hospitals having fifty beds or more run by a charitable organization	18%
Oil Cake and other solid residues	10%
Tractors	10%
Seeds for sowing	10%
Vermicellies, sheer mall, bun and rusk	10%
Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal.	10% (refund of excess input tax not allowed)

8. *Sales tax exemption on goods directly imported by hospitals is proposed to be withdrawn as well and shall be subject to 18% Sales Tax*

9. Following changes in the Eighth Schedule (reduced rates) are proposed;

DESCRIPTION	CURRENT	PROPOSED
Tier-1 Integrated Retailers of Textile and Leather products	15%	18%
LPG (Liquified Petroleum Gas)	10%	18%
Imported Personal Computers, Laptops	5%	10%

10. Sales tax on Mobile phones is proposed to be shifted from fixed sales tax under Ninth Schedule to 18% and 25%, depending on value of mobile phone. However, **input tax adjustment** shall be allowed under the proposed rates.

11. Sales tax withholding in case of supply of lead or scrap batteries to registered manufacturers of lead batteries is proposed to be increased from 75% to 80% of sales tax involved.

12. *Sales tax withholding in case of supply of gypsum to cement manufacturers, supply of coal, waste of paper and paper board, plastic waste, crush stone and silica is proposed to be set at 80% of sales tax involved.*

RELIEF MEASURES

13. Imports and Local Supply of Petroleum Products including Petrol, High Speed Diesel, Kerosene, Light Diesel are proposed to be exempted from Sales tax.

14. Local Supply of Iron and Steel Scrap is proposed to be exempted from sales tax

OTHER MEASURES

15. Procedure for the assessment and audits of sales tax and/or recovery of unpaid sales tax is proposed to be revamped by omitting current assessment and recovery section and replacing with new substituted sections.

SECTION C→FEDERAL EXCISE DUTY

REVENUE MEASURES

1. *Default Surcharge is proposed to be increased to "KIBOR + 3%" from "12%" fixed rate.*
2. It is proposed to seal business premises of any retailer who is found to be dealing in smuggled cigarettes.

DESCRIPTION	CURRENT	PROPOSED
ACETATE TOW	Nil	Rs. 44,000 per kg
E-Liquids for Electric Cigarettes	Rs. 10,000 per kg	Rs. 10,000 per kg or 65% of retail price whichever is higher
Nicotine Pouches	Nil	Rs. 1,200 per kg
Portland Cement, Aluminous Cement, Slag Cement, Super Sulphate Cement and Similar Hydraulic Cements, whether or not colored or in the form of clinkers	Rs. 2 per Kg	Rs. 3 per kg
Filter Rod for Cigarettes	Rs. 1,500 per kg	Rs. 80,000 per kg
Allotment or transfer of commercial properties and first allotment or transfer of residential properties	Nil	5%
Sugar supplied by any person to a manufacturer	Nil	Rs. 15 per kg

RELIEF MEASURES

3. It is proposed to provide conditional exemption to the imports made by diplomats, diplomatic missions, privileged persons and privileged organizations



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