Riasat Ishtiaq & Co.

Cost & Management Accountants

Finance Bill 2024

HIGHLIGHTS & COMMENTS



Foreword

TAX BRIEFS FINANCE BILL 2024-25

This Tax Briefs precisely presents the important changes proposed in the Finance Bill 2024-25 relating to the Income Tax, Sales Tax, Federal Excise Duty, Customs Duty and Other Laws. For considering the precise impact of a particular change, reference should be made to the specific wordings in the relevant statute.

The proposals presented in the Finance Bill have to be approved by the National Assembly before they become effective. The tax briefs are aimed at providing general guidance with the objective of keeping our clients and staff abreast of the changes in the aforementioned laws. The users are therefore advised to seek professional advice before exercising and applying any legal provision and acting thereupon. The Firm accepts no responsibility for any action taken (or not taken) as a result of the information contained in this document.

The tax briefs can also be accessed on our website www.ric-intl.com

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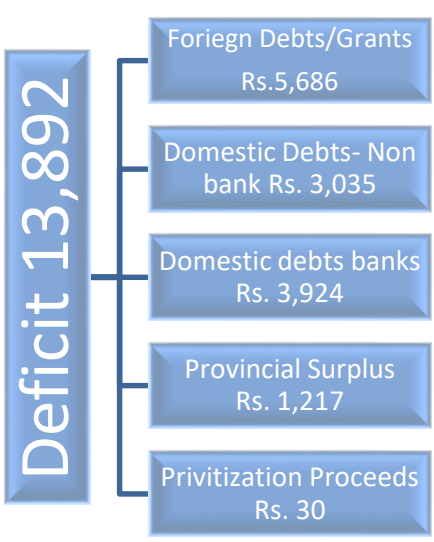
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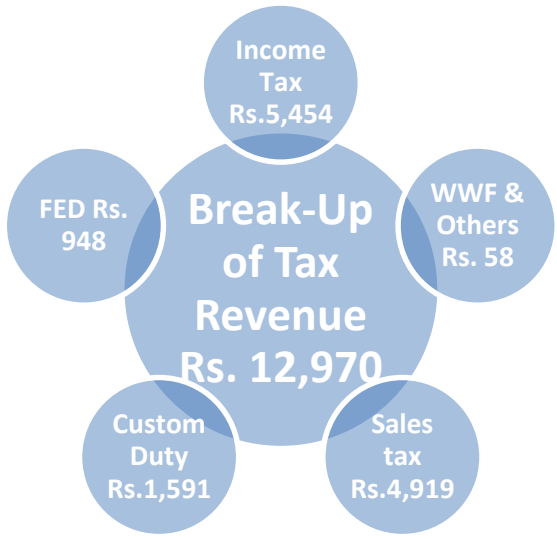
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Budget at a Glance

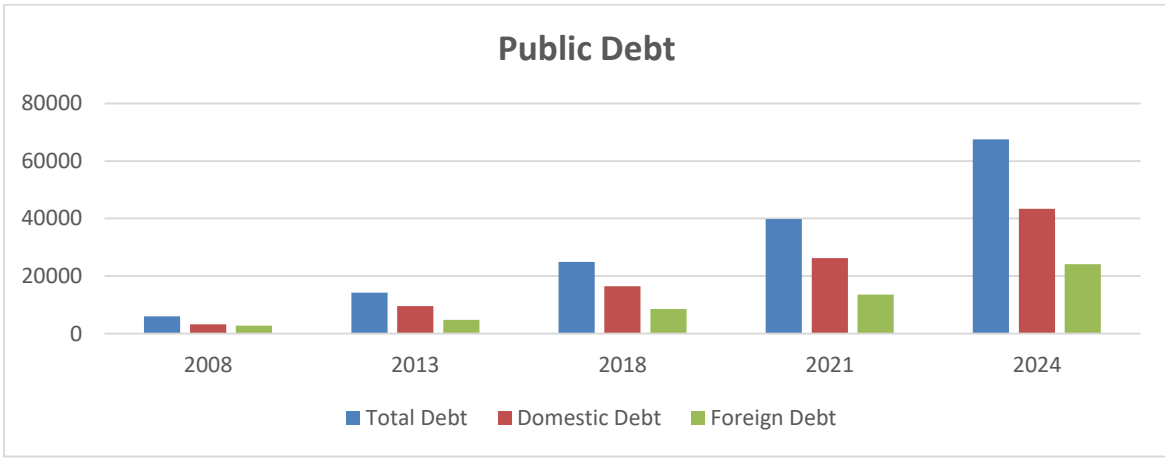
	2024-2025 (Rs. Billions)	2023-2024 (Rs. Billions)
Receipts		
-Tax revenue	12,970	9,252
-Non-tax revenue	4,845	2,948
-Public account Receipts	120	(95)
Total Receipts	**17,815**	**12,105**
Less: Provincial Shares	(7,438)	(5,427)
Net Receipts	**10,497**	**6,678**
Expenditure		
-Current	22,372	16,928
-Development	2,017	1,490
Total Expenditure	**24,389**	**18,418**
Deficit	**13,892**	**11,740**

Following is the breakup of Budget Deficit and Tax Revenue:





Economic Overview



Rs. In Billion

Financial Year	Total Debt	Domestic Debt	Foreign Debt
2008	6,044	3266	2778
2013	14,291	9,520	4,771
2018	24,953	16,416	8,537
2021	39,866	26,265	13,601
2024 (March)	67,525	43,432	24,093

- Exports $ 25.7
- Imports $ 43.4
- Trade Deficit $ 17.7
- Remittances $ 23.8
- NHA Lenght 14,480 km
- Workers abraod 862,625
- Population Size 241.5 Million

- GDP Growth 2.38%
- Agriculture 6.25%
- Industries 1.21%
- Per Capita Income 1,680
- Literacy Rate 62.8%
- Universities 263
- Hospitals 1,284

Source: Economic Survey of Pakistan

Compiled by: Shahzeb Tahir Mughal ACMA

Significant Amendments

Income Tax Ordinance, 2001

- The AOP having turnover of more than 300 Million shall be liable to file audited financial statements duly audited by Chartered Accountant or Cost & Management Accountant otherwise the share from AOP of member shall be taxable. Currently the share of AOP in hands of member of AOP is exempt without any requirement of audited accounts.
- The rate of tax for business individual and AOP has been increased while maximum slab is proposed to be increased from 35% to 45%; after taking into account, super tax the effective tax rate would be 55% or more for high income generators.
- The Slab rates on salaried class is proposed to be changed and the effect of which shall be the higher taxes.
- The WHT rates for toll manufacturing has been increased from 5% to 9% for companies and 5.5% to 11% for others
- Currently the amount of quarterly advance tax is required to be computed on the basis of turnover to tax ratio but where the amount of turnover is unknown, the quarterly turnover is taken as 1/4th of 110% of the turnover of latest tax year. The threshold is proposed to be enhanced from 110% to 120%. Furthermore, if the estimates and supporting documents are found unsatisfactory, the CIR has power to reject the estimate provided by the taxpayer.
- Currently, the Commissioner has a power to issue exemption certificate or lower rate certificate with respect to section 153 if the taxpayer has paid advance tax, income subject to 100% tax credit or exempt income and applied for exemption certificate. Now it is proposed that Commissioner shall only issue reduced rate certificates upon payment of advance tax instead of exemption certificate.
- Currently, the Income from Exports fall under Final tax return, now it is proposed to replace with minimum tax regime, the tax deducted at source shall be minimum tax. 1% additional advance tax shall also be applicable in addition to 1% withholding tax on export proceeds. In aggregate it shall be 2% of export proceeds. 1% shall be treated as minimum tax and 1% shall be treated as advance tax.
- New penalties for shopkeepers and traders are introduced to put them into tax net. The shop will be sealed for 7 days in case of first default and 21 days for each subsequent default. Moreover there shall be imprisonment of 6 months along with fine.
- Restriction on foreign travel of non-filer from the country for a citizen of Pakistan,

excluding persons holding National Identity Card for Overseas Pakistanis (NICOP), minors and students. Currently the consequences of non-filing of returns are as follows:

- Disabling of Mobile phone or Sims
- Discontinuance of electricity connection
- Discontinuance of gas connection

- In the case of persons mentioned in income tax general order who are non ATL's, the rate of collection of tax shall be 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card.

- The penalties of 100 Million for first default and 200 Million for each subsequent default in case of noncompliance with Income Tax General Order for disconnection of electricity and blockage of sims.

- Penalty of Rs. 500,000/- and imprisonment of one year along with fine in case of incomplete filing of Income tax return by companies and AOP.

- Every manufacturer and importer shall collect advance tax under section 236G at the time of sale to distributers, dealers and wholesaler, currently it is applicable on few specified goods. The rate of tax for filers shall be 0.1% for other than fertilizers and for non-filer rate shall be 2% under section 236G of the Ordinance.

- Every manufacturer, dealer, distributer, wholesaler or commercial importer shall collect advance tax under section 236H at the time of sale to retailers, currently it is applicable on few specified goods. The rate of tax for filer shall be 0.5% however in case of non-filer the rate shall be 2.5% under section 236H of the Ordinance

- Tax rates for securities under section 37A has been revised as follows:

  - Declining rates from 15% to 0% on the basis of holding period of 1 to 6 years, if security acquired during tax year 2023 and 2024
  - 15% flat rate of tax on securities acquired after 1st July 2024
  - Flat 12.5% on capital gain arising on disposal where the securities are acquired during tax year 2014 to 2022.
  - 0% tax rate on securities acquired before July 2013.
  - The rate for companies in respect of debt securities shall be the applicable corporate rate of tax.

- Tax rates for gain on Immovable properties under section 37(1A) has been revised as follows:

- Declining rates from 15% to 0% on the basis of holding period for different properties, if property acquired on or before 30 June 2024 (Same as previous)
- 15% flat rate of tax on capital gain on property acquired on or after 1st July 2024

➢ The rate of advance tax on sale of property u/s 236C has been revised as follows:

Value	Person Appearing in ATL	Late Filers	Person not Appearing in ATL
Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	6%	10%
Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	7%	
Where the gross amount of the consideration received exceeds Rs. 100 million	4%	8%	

➢ The rate of tax on purchase of property u/s 236K has been revised as follows:

Value of Property	Person Appearing in ATL	Late Filers	Person not Appearing in ATL
Where the fair market value does not exceed Rs. 50 million	3%	6%	12%
Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%	7%	16%
Where the fair market value exceeds Rs. 100 million	4%	8%	20%

➢ There shall be three categories for calculation of tax in case of immovable properties which are as follows:

- Persons appearing in ATL
- Persons not appearing in ATL
- Persons appearing in ATL who have filed their returns after the due date

- In case of royalty arrangement with an associates on account of intangibles, 25% of sales promotion and advertising expense shall be disallowed.
- Currently the default surcharge rate is 12% now it is proposed that rate shall be KBOR+3%
- The advance tax on motor vehicles u/s 231B is currently collected on basis of engine capacity, it is proposed to charge the tax on basis of value of vehicles.
- The exemption clause 102A of the Part 1 of the Second Schedule is proposed to be omitted through which the subsidy granted by the federal government for implementation of their orders shall be taxable
- The exemption granted to the area of FATA/PATA has been extended to the TY 2025
- The rate of WHT u/s 153(1)(a) of the Ordinance for distributers of cigarettes shall be increased from 1% to 2.5%
- The claim regarding adjustment on account of IFRS 9 is proposed to be withdrawn in case of Banking Companies for non-performing loans, doubtful debts etc.
- The 25% tax reduction available to full time teacher or researcher has been proposed to be withdrawn through omission of clause 2 of Part III of Second Schedule
- The tax deduction rates for section for non-filers shall be 35% u/s 151 Profit on debt,

Rates for Business Individual and AOP's

Sr. No.	Proposed Tax Rates			Existing Tax Rates	
	Taxable Income	Tax Rate		Taxable Income	Tax Rate
1	Where taxable income does not exceed Rs. 600,000/-	0%		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		Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% 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		Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
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		Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 + 20% of the amount exceeding Rs. 1.2M
5	Where taxable income exceeds Rs. 3,200,000 but	Rs. 650,000 + 40% of the amount		Where taxable income exceeds Rs. 2,400,000 but	Rs. 315,000 + 25% of the amount

	does not exceed Rs. 5,600,000	exceeding Rs. 3,200,000		does not exceed Rs. 3,000,000	exceeding Rs. 2,400,000
6	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000		Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
7				Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the amount exceeding Rs. 4M

Proposed Tax Rates for Salaried Persons

Sr. No.	Proposed Tax Rates			Existing Tax Rates	
	Taxable Income	Tax Rate		Taxable Income	Tax Rate
1	Where taxable income does not exceed Rs. 600,000/-	0%		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		Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% 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		Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% 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		Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000
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		Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 + 27.5% of the amount exceeding Rs. 3,600,000
6	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000		Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 + 35% of the amount exceeding Rs. 6,000,000.

Sales Tax

- Currently, Sales tax is chargeable when goods are delivered or made available to the recipient of the supply but any advance received in respect of supply is not chargeable to tax until supply of goods. It is proposed to add "when goods are delivered or made available to the recipient of the supply or the time when any payment is received by the supplier in respect of that supply, whichever is earlier" due to this proposed addition, advance payment for supply shall also be liable to GST.
- Section 11 of the Sales tax Act deals with the assessment of short levied tax which is proposed to be deleted and replaced with new sections 11D, 11E, 11F and 11G. Section 11D will deal with best judgment assessment same like section 121 of the ITO 2001.
- Audit of sales tax affair is introduced via Section 25 of the Act, this same like section 177 of the Income Tax Ordinance. The legal infirmity exits in this section is that Commissioner can call for record related to period of 6 years after end of financial year but at the same time officer have to pass the order under section 11D/11E after conducting audit under section 25, the time limit to pass order u/s 11D/11E is 5 years hence this will create unnecessary litigation.
- Section 21 is proposed to be amended through which the Chief Commissioner will be empowered to review and modify the order of black listing on request of Registered Person.
- In case of tax fraud the Commissioner is empowered to require furnishing of sales tax return related to last 15 years from the end of financial year under section 26 of the Act.
- Provisions regarding tax fraud has been extended to imprisonment of upto 10 year along with fine calculated on the basis of tax default [Section 33(11)]
- Currently the default surcharge rate is 12% now it is proposed that rate shall be KBOR+3%
- The time line for transferring of cases from Commissioner Appeals to ATIR under revamping of appeal procedures shall be extended from June 16 to September 16, 2024.
- DAP is proposed to be included in 3rd Schedule. Currently it is subject to tax @ 5%
- The payment more than Rs. 50,000 for purchase invoice through banking channel is eligible to claim input tax, now it is proposed that Rs. 50,000 in aggregate of all invoices of one supplier during tax year will be the threshold for claiming of input tax.
- Medicaments as are classifiable under Chapter 30 of the First Schedule to Customs Act, 1969, with certain exceptions, are presently subject to sales tax at a reduced rate of 1%. Through the Bill, it is proposed that reduced rate of sales tax for Pharma products shall be

reversed and taxable @ 18%

- Milk, Fat filed Milk, Raw material/packing material for manufacturing of Preparation for infants, colors sets, inks, erasers, exercise books, pencil sharpeners, geometry boxes, pens, ball pens, markers, color pencils and local supplies to registered exporters under export facilitation scheme are excluded from the 5th Schedule. The Fifth Schedule deals with levy of zero rate of sales tax.

- Following Entries are proposed to be omitted from the 6th Schedule. The Sixth Schedule deals with exemptions of goods from levy of sales tax.

    - Edible vegetables imported from Afghanistan
    - Fruit imported from Afghanistan excluding apples
    - Newsprint and books but excluding brochures, leaflets and directories
    - colors sets, inks, erasers, exercise books, pencil sharpeners, geometry boxes, pens, ball pens, markers, color pencils
    - Surgery equipment i.e. angioplasty, cardiology, urology, angiography, cardiac surgery products, heart failure devices etc.
    - Medical diagnostic kits i.e. HIV kits etc
    - Supplies and import in FATA/PATA
    - Supply of electricity to FATA/PATA
    - Goods supplied to hospitals run by the charitable hospitals of fifty beds or more.
    - Oil Cake and other solid residues
    - Tractors
    - Imported goods donated to hospitals run by NPO's
    - Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries and sweet shops falling in the category of Tier-1 retailers.
    - Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal

- POL products including MS (Petrol), High speed diesel, kerosene, Light diesel oil, Milk excluding that sold under a brand name and Iron/steel scarp are included in the 6th Schedule.
- Milk is excluded from 5th Schedule and included in 6th Schedule however Milk in brand name shall be subject to GST and price for packaged milk will expected to be increased
- Following Entries are proposed to be omitted from the 8th Schedule. The Eighth Schedule deals with goods subject to specific rates of sales tax.

    - LPG @ 10%
    - Finished fabric, and locally manufactured finished articles of textile and textile

made-ups and leather and artificial leather @ 12%

- Locally manufactured Hybrid electric vehicles @ 8.5%

- Currently personal computers and laptops are subject to tax @ 5% it is proposed to increase the rate to 10% for imported computers/laptops
- Following items are subject to tax @ 10% under schedule 8
  - Oil Cake and other solid residues
  - Tractors
  - Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries and sweet shops falling in the category of Tier-1 retailers.
  - Local supply of Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal
  - Newsprint and books but excluding brochures, leaflets and directories
- Colors sets, inks, erasers, exercise books, pencil sharpeners, geometry boxes, pens, ball pens, markers, color pencils are now subject to sales tax @ 10% under 8th Schedule
- Supplies and import in FATA/PATA is proposed to be taxed @ 6% for TY 2025 and 12% for TY 2026
- Supply of electricity to FATA/PATA is proposed to be taxed @ 6% for TY 2025 and 12% for TY 2026
- GST on Mobile Phones has been increased upto 25%
- Following few entries regarding withholding of sales tax are inserted in 11th Schedule. The 11th Schedule deals with withholding of sales tax.
  - Supply of gypsum or limestone flux to cement manufacturer
  - Supply of Coal
  - Supply of waste of paper & paper board
  - Supply of plastic waste
  - Supply of crush stone silica

Federal Excise

- Currently the default surcharge rate is 12% now it is proposed that rate shall be KBOR+3%
- The time line for transferring of cases from Commissioner Appeals to ATIR under revamping of appeal procedures shall be extended from June 16 to September 16, 2024.
- FED on nicotine pouches is proposed to be levied @ 1,200/kg
- FED on Cement is proposed to be increased from 2/kg to 3/kg
- FED @ 5% is proposed to be levied on allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board.
- FED on sugar to be supplied to manufacturer is proposed to be levied @ 15/kg

Petroleum Levy

- Petroleum levy has been proposed to be increased from Rs. 60 to Rs. 80 per litter

Other Aspects

- The Minimum wage rate is proposed to be increased from Rs. 32,000/- to Rs. 36,000/-

Revamping of Appellate structure

- The structure of appeals has been changed as follows:

Appellate Forum	Income Tax	Sales Tax	FED
Commissioner Appeals (CIR-A)	If Tax demand is less than 20 Million	If Tax demand is less than 10 Million	If Tax demand is less than 5 Million
Appellate Tribunal (ATIR)	If Tax demand is more than 20 Million	If Tax demand is more than 10 Million	If Tax demand is more than 5 Million

- The time line for transferring of cases from Commissioner Appeals to ATIR under revamping of appeal procedures shall be extended from June 16 to September 16, 2024.
- The time line for filing of appeal against orders passed by CIR (Appeal) and ATIR before enactment of Tax law Amendment Act 2024 shall be the time limitation as applicable before the said Act. Afterwards the appeal can be filed within 30 days

- The Order of CIR-Appeals or ATIR is contestable to High court on question of law or mixed question of law and facts
- The time line for filing of appeal at every level shall be 30 days
- The time line for filing of appeal against orders passed before 06 may shall be the same as applicable earlier
- The appeals having demand of more than above threshold currently pending with CIR-Appeals for adjudication shall be transferred to ATIR on 16 September 2021.
- The High Court may grant a stay from recovery of tax conditional upon deposit of at least 30% of the tax determined by the ATIR
- State-Owned Enterprises (SOE) as defined under State-Owned Enterprises (Governance and Operations) Act, 2023 are mandatorily required to first apply to the Board for the appointment of a committee for the resolution of any dispute. An appeal to the ATIR or the High Court or the Supreme Court as the case may be, can be filed if the Committee fails to decide.

……The End……

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