

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



TAX PROPOSALS

For The Federal Budget 2019-2020

May 06, 2019

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Under Section 22(15)C

ISSUE

Depreciation on Musharika Assets

Proposal

The depreciation on Musharika assets to be allowed retrospectively since inception.



Under Section 56

ISSUE

Set off of Losses against income from property

Proposal

The position prior to amendment made through Finance Act, 2013 should be restored to allow set off against property income as well.



Under Section 57

ISSUE

Restriction on setting off of depreciation losses.

Proposal

The amendment brought through Finance Bill 2018 relating to unabsorbed depreciation and amortization is proposed to be deleted.



Under Section 60A & 60B

Workers Welfare Fund and Workers Profit Participation Fund

ISSUE

In both the Law it is categorically stated that this shall be allowed if the payment is made to the Federal Government. Since the enactment of the 18th Amendment in 2010, the same is collected by the Provincial Government. Since, there is no mention of the payment to the Provincial authorities the same is being disallowed by the Income Tax Authorities.

Proposal

It is therefore proposed that the payment made under the Provincial Laws may be incorporated in Section 60A and 60B.



Under Section 65A

Tax Credit to persons registered under Sales Tax Act, 1990.

ISSUE

Tax credit of 2½ was available from tax year 2009 to Manufacturers registered under the Sales Tax, if 90% of the sales were to those persons registered in Sales Tax. In 2016 this was increased to 3%, to encourage persons towards documentation.

However to reasons best known to the Government, this was deducted vide Finance Act, 2017

Proposal

It is proposed that this section should be reincorporated in the tax Law.



Under Section 79(2)

Non Recognition Rules

ISSUE

This section excludes any gain or loss arising from disposal of assets if certain conditions are fulfilled including gift of an assets to a relative.

However, if the recipient is a non-resident at the time of the acquisition then the said person is not entitle to an exemption which is very unfair as now every family has persons living abroad.

Proposal

It is therefore proposed that section 79(2) should be deleted.



Under Section 113(2)(c)

ISSUE

Adjustment of Minimum Tax payment in case of Tax Loss

Proposal

The following Explanation is proposed to be inserted:

“Explanation – For the removal of doubt, it is declared that the expression “the excess amount of tax” apply to all cases where no tax is payable for any reason whatsoever including any loss of income, profits or gains or set-off of losses or unabsorbed depreciation of earlier years, exemption from tax and allowances and deductions admissible under any provision of this Ordinance.



Under Section 130

Appointment of the Appellate Tribunal

ISSUE

Accountant members are posted in the Tribunal from the tax department and can be reposted back in the tax department and hence are very conservative when imparting Justice.

Proposal

It is proposed that once an officer is posted to the Tribunal, he should then retire from there and should in no way go back to the tax department. This will go a long way in imparting Justice.



Under Section 131

ISSUE

Stay order by Tribunal should be valid till Disposal of its Appeal.

Proposal

It is proposed that the said amendment be deleted and the earlier position of law should be restored in the interest of natural justice so as to provide relief to the taxpayer.



Under Section 148(7)

Imports

ISSUE

Tax deduction on Import of Plant and Machinery by Service Sector.

Proposal

It is proposed to insert the following in the list of exceptions provided under sub-section (7) of section 148:

Equipment imported by service sector companies for their own use.



Under Section 148 SRO 947 of 2008

Imports

ISSUE

Exemption from Income Tax on Imports to NPOs

Proposal

It is proposed that such exemption is also extended at least to such non-profit organizations whose income is exempt in terms of Clause (66) of Part I of the Second Schedule.



Under Section 149

Salary

ISSUE

Excessive Tax Deduction from Salary

Proposal

It is proposed to:

- replace section 64 with 62A of the Ordinance to allow tax credit on House Loan.
- insertion of new clause to allow tax adjustment for deductible allowances on account of Zakat, Allowance for payment of Profit House Loan and Education expenses under Sections 60, 60C and 60D, respectively.
- tax withheld and paid under any other Section of the Ordinance.



Under Section 153

ISSUE

Withholding on Local Royalty

Proposal

It is proposed that the separate flat rate of tax withholding is specified if royalty is paid to residents which should fall under Final Tax Regime.



Under Section 153

Deduction of tax

ISSUE

No withholding in the case of registered persons [Filers]

Proposal

It is proposed to amend the Section 153 that the withholding agents should only deduct/collect tax in the cases of Non-Filers or Unregistered Services providers, Suppliers & Contractors.



Under Section 153

Deduction of tax

ISSUE

Automatic credit of tax deducted

Proposal

It is proposed that when the tax is deducted, credit of the same should automatically be given to the withholdee.



Under Section 155

Rent

ISSUE

Withholding on Rent in case of Multiple Years

Proposal

It is proposed to include an explanation under Section 155 that tax withholding is required on the basis of annual rent paid for a tax year at the applicable rates to each year.



Under Section 161 & 162

ISSUE

Time limit for Monitoring of Withholding of Income Tax

Proposal

It is proposed to insert the following provisions under Section 161/162:

Proceedings for monitoring of withholding taxes should not be initiated for a tax year after expiry of 6 tax years



Under Section 161(1A)

ISSUE

Allow ability of Tax Payment as a Credit after Monitoring of Withholding of Taxes.

Proposal

It is proposed that the withholder should be allowed to deposit the tax in the name of the parties whose withholding fell short.



Under Section 165

ISSUE

Bi-Annual Statements to be replaced with Monthly Withholding Statement

Proposal

It is proposed that the filing of biannual is replaced with monthly filing of withholding statement.



Under Section 182(1)

Offences and penalties

ISSUE

An explain was incorporated explaining “Tax Payable” and it stipulated to mean tax chargeable on the basis of the taxable income.

Proposal

The purpose of the penalty is to educate the taxpayers and the same should not be for the purpose of tax generation. In addition taxes deducted/paid, other than payment along with the return, is already with the Government, hence there is no loss of revenue.

It is therefore proposed that penalty should be on the balance of tax payable along with the return and not the total tax liability.



Under Section 182A

Returns Not filed within due date

ISSUE

A person filing the returns late by even 1 day will be treated as a non filers for the full year.

There is already a provision in the Law under section 182 for imposition of penalty for late filers.

Proposal

Section 182A should be withdrawn and the person filing the return late should also be considered as a filer, after payment of the penalty under section 182.



Under Sections 236R & 236Y

ISSUE

Duplication of Advance tax on payment of foreign Education made through Credit Card or Debit Card or Prepaid Card.

Proposal

The provisions should be withdrawn in its entirety for filers.



Clause 47B Of Part-IV Of The Second Schedule

ISSUE

Incomplete coverage of withholding exemption

Proposal

Section 150A (return on investment in Sakuks) is proposed to be inserted in Clause (47B) of Part IV of the Second Schedule



Seventh Schedule

ISSUE

Reduced rate on interest income of Banks – competitive disadvantage for DFIs

Proposal

In order to provide level playing field, it is proposed that similar reduction in tax rates on interest income from such lending be also provided for the DFIs.

Thank You