



S.M. SUHAIL & CO.  
Chartered Accountants

# “Tax Reforms”

Covering Economic Direction for  
Betterment of Society and  
Infrastructure

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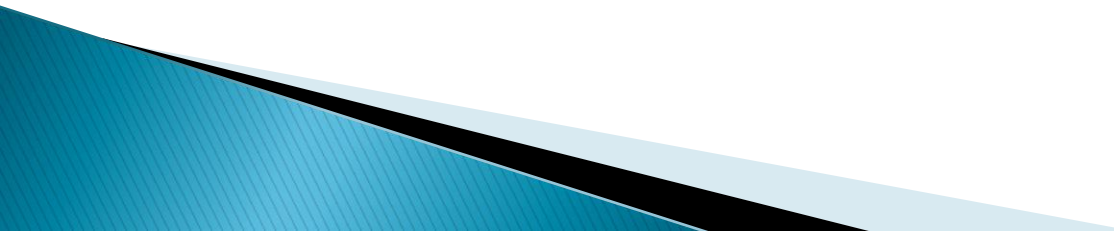
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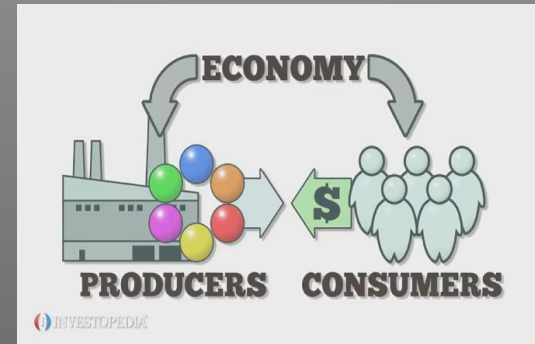
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# » ECONOMIC DIRECTION

# What is economy?



Economy is the large set of inter-related production and consumption activities.

## and Why?

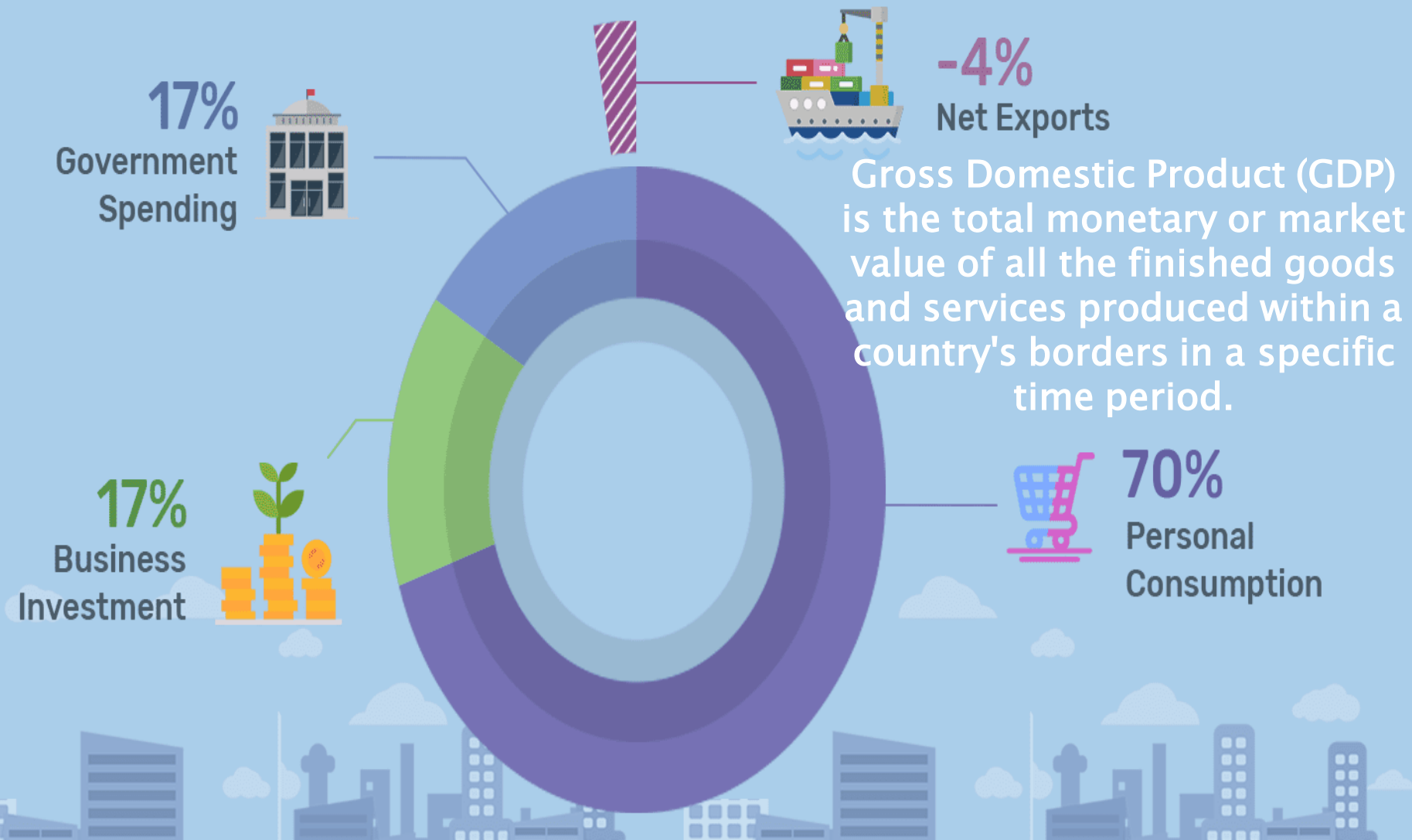
It aids in determining how scarce resources are allocated.

## Micro & Macro

Firms and Households	Economy as a whole
Me & You being an individual	World's Economy
Your company / firm	Pakistan's Economy

# WHAT IS GROSS DOMESTIC PRODUCT?

## HOW IT AFFECTS YOU



# SCARCE RESOURCE

- ▶ Economy aids in determining how **scarce resources** are allocated.

Lets FAST FORWARD

- ▶ The biggest and most liquid Scare resource is **MONEY.**

So every economy's direction revolves around MONEY.

LOCAL & FOREIGN MONEY.

Foreign Investment?

# FOREIGN MONEY

## Foreign Investment

- ▶ Comes in Big Volumes
- ▶ Creates Value
- ▶ Goes out in Big Volumes
- ▶ If goes out also takes profit with it

## Foreign Spending

- ▶ Comes in Small Volumes as compared to investment
- ▶ Creates Value
- ▶ Stays in economic territory



# Foreign Spending

## Pre-requisites

Attraction Points  
=  
Spending points

## ATTRACTION POINTS

- ▶ Worldwide Competitive Tax & Duties and Tax infrastructure
- ▶ Sustainability
- ▶ Law and order
- ▶ Healthy environment
- ▶ Creativity
- ▶ Innovation
- ▶ Internationally Competitive

# TAX DIRECTION

To regulate policies and smooth running of government machinery and basic necessities of common man

Tax imposition is the best solution

To provide development and infrastructure facilities

- ▶ Tax imposition is not the solution instead public investment is.
- ▶ EPACK –CPEC
- ▶ Attraction Point – Hawksbay – Gadani – Karakoram – Himalayas

**HIGH TAX RATES = LOW PURCHASING POWER**

# FAST FORWARD

HIGH TAX RATES = LOW PURCHASING POWER

LOW PURCHASING POWER = LOW SAVING /  
INVESTMENT

LOW SAVING / INVESTMENT = LOW DEMAND  
= LOW SUPPLY = HIGH PRICE


LOW DEMAND & SUPPLY = LOW GDP = LOW  
ECONOMIC GROWTH

HIGH PRICE = ?

# TAX SCHEME

We will only talk about it in very limited manner and only to limited extent

# TAX SCHEME

- ▶ BTL for saving income & dividend, Senior Citizen Allowance
  - ▶ Annual & lifetime limits for gift and inheritance
  - ▶ Minimum Tax on imports – discourage long term
  - ▶ Tax exemption for IT industry –final tax
  - ▶ SEZ's & EPZ's
  - ▶ World products competitiveness Research Institute
- 

# Few points on income tax

- ▶ Consultants Pool for SME's and individuals
- ▶ Resolving tax law complexities
- ▶ Harmonization in economic policies
- ▶ WHT regime – misuse  
(If the recipient of payments details are provided and ultimately he got himself registered then default and penalty would not be applicable)

# **SALES TAX MECHANISM**

Now, we will talk about Sales tax on Goods

# Sales Tax on Goods

- ▶ Retailers issue and direction of tax machinery
- ▶ Evasion and reluctance

Solution


- ▶ Manufacturers facilitation



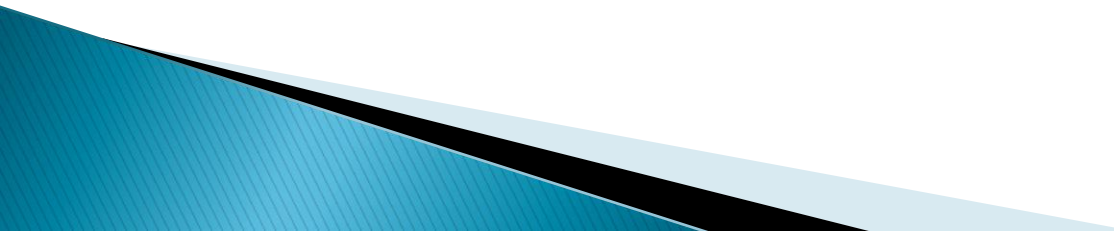
A portal where the manufacturers will submit their Retail Price along with Lot numbers and their sales data.



# How it will work

- ▶ Just one addition of LOT NUMBERS with LOT quantity in ST returns is required and Manufacturers will provide it while filling their sales tax returns as a result whole of sales tax is collected at Retail Price.
  - ▶ No need for retailers to pay any further tax, as we already know that tax imposition and maintenance cost will impact purchasing power.
  - ▶ If Lot numbers get any mismatch or duplication then the product manufacturer is responsible and will pay the penalty.
- 

# Benefits for manufacturers and retailers

- ▶ The portal would also provide data regarding the limitation of investment either at manufacturing point and or at retail point.
  - ▶ Equity partnership program would assist the retailers and manufacturers to fulfill their demands.
  - ▶ Remember High Price = Low Demand  
High demand = Low Price  
High demand = High Supply
- 

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