Taxation Concepts

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Razi Ahsan is an Advocate of the High Court & Tax Consultant.

He holds a diverse experience; having started his career from a renowned Multinational Corporation, he has served in various Senior Capacities.

Mr. Ahsan holds M.Sc, M.B.A (Finance) and LLB Degrees.

He is senior partner A.K. Shamim & Co Law Firm and Tax Consultants established in 1962, specialized in Direct & Indirect Taxation, Trade Mark, Company Laws, Property Documentation.

His client base includes prominent Companies, Professionals and Businessmen. He is also in visiting Faculty at NED University of Engineering & Technology CCEE where he teaches "Contract Law", "Business & Taxation Laws" and "Alternate Dispute Resolution".

Mr. Ahsan is currently **The General Secretary** of the Pakistan Food Association, **Member FPCCI Central Standing Committee** on "Direct Taxes". **Member FPCCI Central Standing Committee** on "Budget Proposals 2022-23". An **Elected Member of Karachi Tax Bar Association Executive Committee 2022-2023** and **Convener KTBA** "Diary & Publication Committee"**.**

Mr. Ahsan holds Lifetime Membership of Korangi Trade & Industry Association (**KATI**), Marketing Association of Pakistan (**MAP**), Karachi Chamber of Commerce & Industry (**KCCI**), Karachi Bar Association (**KBA**), Karachi Tax Bar Association (**KTBA**), Sindh Bar Council (**SBC**), Life time Member of High Court Bar Association (**HBA**).

Global Facts

Global View & Monitoring Organizations

There are 195 countries having flag, and overall 232 Countries & Autonomous representation, Associations (e.g. Taiwan, Cook Islands etc.)

(a) 54 Countries In Africa (our Export Market) (b) 48 Countries In Asia (c) 14 Countries in Oceania Australia
(d) 44 Countries In Europe (our Export Market) (e) 23 Countries In North America
(f) 14 Countries in South America.

- **OECD** - Organization For Economic Cooperation & Development
- **FATCA** - Foreign Account Tax Compliance Act
- **AEOI** - Automatic Exchange Of Information
- **CRS** - Common Reporting Standards
- **ETR** - Exchange on Tax Rulings
- **FATF** - Financial Action Task Force

USA Role in IMF & World Bank: USA holds +17% share with an Annual contribution of over USD170 Bn. USA, controls IMF & World Bank etc.

Pakistan Salient Features

- The latitude of Pakistan is 30.3753° N, which denotes Pakistan's positioning in the northern hemisphere. The longitude of the country is 69.3451° E, meaning it is part of the eastern hemisphere. Together, these points indicate that Pakistan is situated to the North of the Equator.

- Pakistan has a population of over 243 million, World's 5th largest, 3% of the world population, 1,046-kilometre (650-mile) coastline along the Arabian Sea and Gulf Of Oman, It's the Second Largest Muslim Country {China is the largest 19%, India is the second largest 17%, United Kingdom is 21st largest 0.9%, Israel is 99th largest population 0.1%}

- Pakistan is 33rd largest country having an area of 881,913 Km2 – 0.59% of Earth.

  Total World Area 510 million sq km, Land **area** 148 million sq km, Water **area** 362 sq km

  { Russia is the largest having 17098242 km2 11.52% of earth. India is 7th largest 3287590 km2 2.21%, United Kingdom is 80th 242900 km2 0.16%, Israel is 20,770 km2 0.1% 150th largest country }

- Pakistan is a declared and accepted Nuclear Power and only Islamic country having such status.

- Pakistan's is an Agricultural Country around 68%.

- Pakistan has almost Two-thirds of its people aged below 35 years, Average age 22.5 years.

Pakistan Economic Factors

1	**Currency**	Pak Rupee (USD = Rs 225.63), (GBP = Rs 274.01)
2	**Country Group**	Pakistan is a low income developing country.
3	**GDP: Gross Domestic Product** (broad measure of economic progress) An IMF publication states that, "GDP measures the monetary value of final goods and services that are bought by the final user produced in a country in a given period of time (say a quarter or a year) The Organization for Economic Co-operation and Development (OECD) defines GDP as "an aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production and services (plus any taxes, and minus any subsidies, on products not included in the value of their outputs)		• GDP $376.493 billion (Nominal; 2022) • GDP Rank 42nd (nominal; 2022) • 23rd-largest in terms Purchasing Power Parity (PPP) • GDP Growth 5.7% (FY 2022) • GDP Per Capita $1,658 (Nominal; 2022) • GDP Per Capita Rank 177th
4	**GDP Sectors** House Hold Consumption, Government Consumption, Investment in Fixed Capital, Investment in Inventories, Export of Goods & Services, Imports)	Agriculture 23.08%, Industry 18.9%, Services 58.01%
5	**Inflation**	27.3 % Plus
6	**Population below poverty line**	35.7% on less than $3.20/day, 5% in extreme poverty 8% (Rural) ; 0.3% (Urban)
7	**Main Industrial Sectors**	Textiles, Food Sector, Pharmaceuticals, Surgical & Medical, Construction, Fertilizer, Fishery Shrimp, Paper products

Pakistan Economic Factors

8	**Ease of doing business index**	108th
9	**Foreign Reserves**	$ 7.59 Bn
10	**Budget Balance**	- 7.9%
11	**Credit Rating**	B-
12	**Tax To GDP Ratio**	9.2 %
13	**Trade Balance**	$ -34.4 Bn
14	**External Debt**	$ 126.9 Bn
15	**Main Exports**	Textile, Food, Leather, Sports goods, Chemical, Pharmaceuticals, Surgical & Dental Apparatus
16	**Agriculture Tax to GDP** Section 41 of the Income Tax Ordinance 2001 exempts the agricultural income from the federal income tax, leaving this space for the provinces to tax	**The agriculture sector contributed Rs 11.5 trillion to the national GDP, yet the total agricultural income tax collection across the country was less than Rs3 billion or 0.02 per cent of agriculture GDP**
17	**Active Tax Payers**	The Federal Board of Revenue (FBR) on Monday revealed that the number of active taxpayers has grown to **3.59 million**. According to the latest Active Taxpayers List (ATL) the total number surged to 3,596,092 by October 16, 2022 [1.4 mn Salaried)

Basic Concepts Of Constitution

CONSTITUTION OF THE ISLAMIC REPUBLIC OF PAKISTAN - Promulgated on **14th August 1973**

We need Constitution because It controls the Powerful and Protects the Rights and Freedom of a Common citizens

- All together we have made Three Constitutions in 1956, 1962 and in 1973.

The Constitution assures Rule of Law and maintained balance and separation of Power between the 3 Branches

1) **Legislator** **(Lower House National Assembly and Upper House Senate)**
2) **Executive** **(PM & his Cabinet)**
3) **Judiciary** **(Supreme Court, High Courts and District Courts)**

- Unlike 1956 & 1962 the Constitution of 1973 can be amended with Two-third majority (but cant amend whole constitution).

- **The Constitution of 1973 has 280 Articles, 12 Parts and 7 Schedules**

- Our System is **Constitutional Federal Parliamentary Republic**
- Legislative House: **Bicameral**
  - **(i) National Assembly 342 seats** (272 Elected Members; 60 seats for Women,10 seats for minorities)
  - **(ii) Senate 104 Seats** (The main purpose of the Senate is to give equal representation to all the federating units)

- So far technically 26 Amendments have been made (last was on 13th May 2019, The seats of tribal districts in the National Assembly of Pakistan will be retained at 12 while their seats in the Khyber Pakhtunkhwa Assembly have been increased to 24 from 16

Constitutional Councils, Boards & Key Positions

Part V: Relations Between Federation And Provinces

1.	Council Of Common Interests	U/Article 153
2.	Council Of Islamic Ideology	U/ Article 228
3.	Supreme Judicial Council	U/Article 209
4.	National Finance Commission (Impacts our Federal Budget)	U/Article 160–165A
5.	The National Accountability Bureau (NAB)	U/Article 270AA

KEY POSTS

1.	The President	U/Article 41, Chapter 1, Part III
2.	The Prime Minister	U/Article 90(1), Chapter 3, Part III
3.	The Chairman Of The Senate	U/Article 60(1), Chapter 2, Part III
4.	The Speaker Of The National Assembly	U/Article 53, Chapter 2, Part III
5.	The Attorney-General For Pakistan	U/ Article-100
6.	The Auditor General Of Pakistan	U/Article 168

RULE OF LAW

The process by which laws are made must be Open and Fair

1. Person Shall be held Responsible in accordance with the LAW this apply both in Civil and Criminal Cases
2. There must be Equality before the Law, there must be No Discrimination
3. There must be Fairness and Clarity of the Law

How Does The Rules Apply to Legal System

1. In Criminal Justice System Every defendant must have a Fair Trial. No Person can be imprisoned without Trial

2. In Civil Justice System. Ordinary people need to be able to resolve their dispute effectively The System should be Impartial, Accessible and Affordable.

Fundamental Rights & Protection

Fundamental Rights are enshrined in the Constitution of Islamic Republic of Pakistan. Chapter 1 of the Constitution contains articles about the **Fundamental Rights Articles 8 to 28** of the constitution deals with the all Fundamental Rights provided to the citizens of Pakistan.

Followings are the fundamental rights guaranteed to the citizens of Pakistan under constitution.

which include freedom of speech, freedom of thought, freedom of information, freedom of religion, freedom of association, freedom of the press, freedom of assembly and the (conditional) **right** to bear arms.

- Article 8. Laws inconsistent with or in derogation of fundamental rights to be void.
- Article 9. Security of person. No person shall be deprived of life or liberty save in accordance with law.
- Article 10. Safeguards as to arrest and detention.
- Article 10A. Right to fair trial: For the determination of his civil rights and obligations or in any criminal charge against him a person shall be entitled to a fair trial and due process.
- Article 11. Slavery, forced labor, etc. prohibited.
- Article 12. Protection against retrospective punishment.
- Article 13. Protection against double punishment and self incrimination.
- Article 14. Inviolability of dignity of man, etc.
- Article 15. Freedom of movement, etc.
- Article 16. Freedom of assembly.

- Article 17. Freedom of association:
- Article 18. Freedom of trade, business or profession.
- Article 19. Freedom of speech, etc. Every citizen shall have the right to freedom of speech and expression, and there shall be freedom of the press, subject to any reasonable restrictions imposed by law in the interest of the glory of Islam or the integrity, security or defence of Pakistan or any part thereof, friendly relations with foreign States, public order, decency or morality, or in relation to contempt of court [commission of] or incitement to an offence.
- Article 19A. Right to information: Every citizen shall have the right to have access to information in all matters of public importance subject to regulation and reasonable restrictions imposed by law.
- Article 20. Freedom to profess religion and to manage religious institutions.
- Article 21. Safeguard against taxation for purposes of any particular religion.
- Article 22. Safeguards as to educational institutions in respect of religion, etc.
- Article 23. Provision as to property. Every citizen shall have the right to acquire, hold and dispose of property in any part of Pakistan, subject to the Constitution and any reasonable restrictions imposed by law in the public interest.
- Article 24. Protection of property rights.
- Article 25. Equality of citizens.
- Article 26. Non-discrimination in respect of access to public places.
- Article 27. Safeguard against discrimination in services.
- Article 28. Preservation of language, script and culture.

FUNDAMENTAL RIGHTS Five Types of **Write to Protect** the Fundamental Rights

(1) Write Of Habeas Corpus (2) Write of Quo Warrants (3) Write of Mandamus (4) Write of Prohibition (5) Write of Certiorari
For Fundamental Rights one can go directly to Supreme Court but has to clarify why coming directly to SC, HC Under Article 199

Write Hebeas Corpus A **writ** of **Habeas corpus** (which literally means to "produce the body") is a court order demanding that a public official (such as a warden) deliver an imprisoned individual to the court and show a valid reason for that person's detention. Cannot exercise if the detention is lawful/ Contempt of court/ Outside the jurisdiction / Detention by a competent court.

Write of Mandamus: (We Command) Mandamus is a judicial remedy in the form of an order from a court to any government, subordinate court, corporation, or public authority, to do some specific act which that body is obliged under law to do, and which is in the nature of public duty, and in certain cases one of a statutory duty regarding Public duty one condition there should be a public duty/ can force to perform public duty

Write of Certiorari (To Be Certified) (Cure)
Certiorari is a court process to seek judicial review of a decision of a lower court or administrative agency. Certiorari comes from the name of an English prerogative writ, issued by a superior court to direct that the record of the lower court be sent to the superior court for review. SC & HC can Command lower courts to submit the records for review to check Judicial illegality misuse of power, absence of Jurisdiction, Or Lack of Jurisdiction, Violation of Natural Justice SC and HC can Quash (No force/ vide)

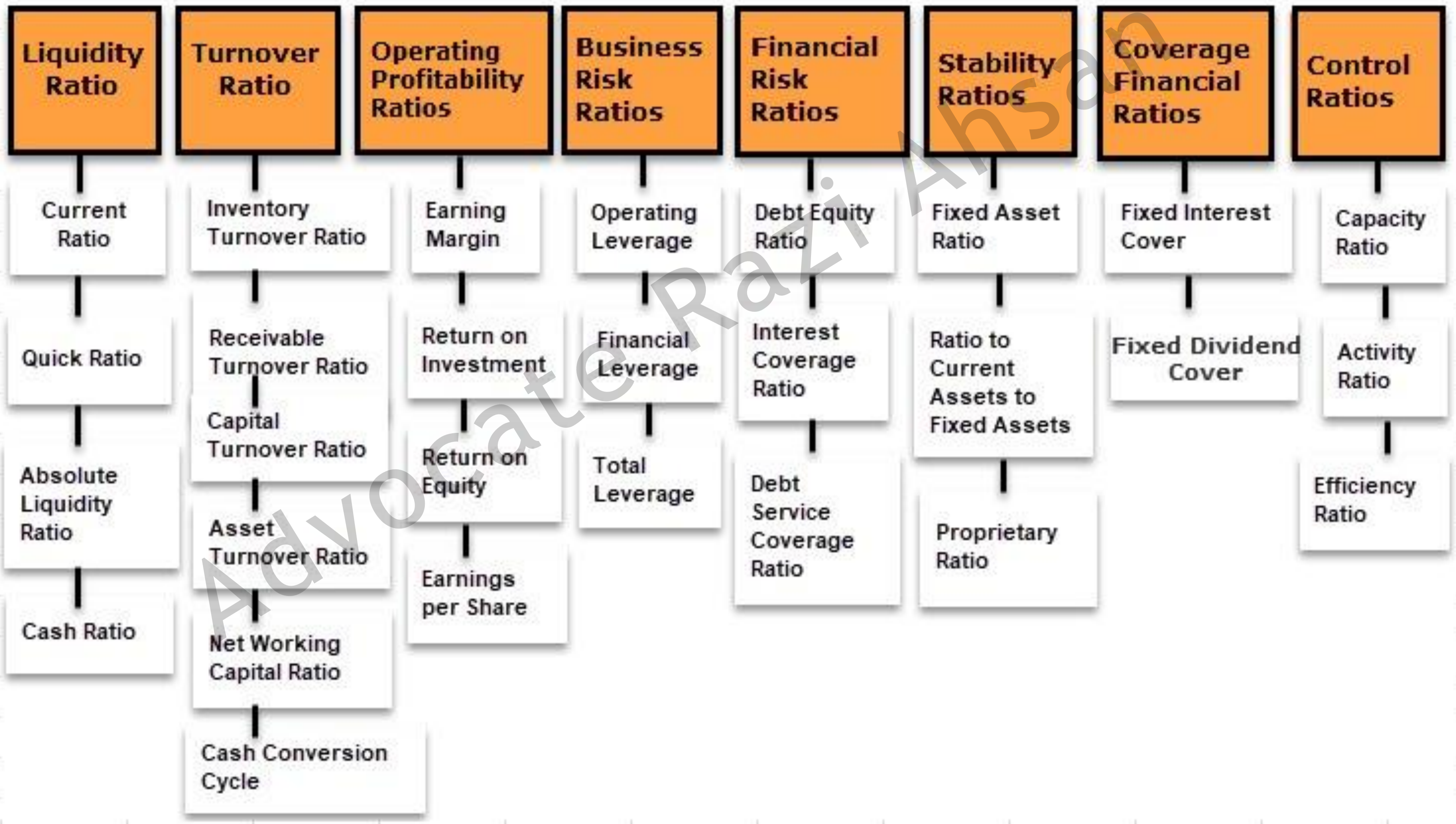
Write of Prohibition *:* (To Forbid) (Prevention) A writ of prohibition is a writ directing a subordinate to stop doing something the law prohibits. This writ is often issued by a superior court to the lower court directing it not to proceed with a case which does not fall under its jurisdiction. Before Judgment when the lower courts has not announced Judgment

Write Of Quo Warrants : (By What Authority) In British and American common law, quo warrants is a prerogative writ requiring the person to whom it is directed to show what authority they have for exercising some right, power, or franchise they claim to hold . By what authority assuming the Public Office

Basic Financial Statements/ Tools

S.No	Accounting Tools	Description
1	**General Journal**	General Journal is a daybook or Journal Book used to record transactions
2	**General Ledger**	A general Ledger is a Book or file that Bookkeepers use to record all relevant account. Each account is two-columned T-shaped table
3	**Trail Balance**	A Trail Balance is the accounting equating of the business laid out in details
4	**Cash Flow**	Cash flow is a financial statement that shows how changes in balance sheet account and income affect cash and cash equivalents and breaks the analysis down to operating investing and financing activities
5	**Profit & Loss**	The main objective of P&L is to achieve the operating results of a company at the end of accounting period P&L is a nominal accounting having debit side and credit side
6	**Trading Account**	Trading account is prepared mainly to know the profitability of Goods bought or manufactured and sold by the business
7	**Balance Sheet**	The purpose of Balance Sheet is to reveal the Financial Status of a businesses as of a specific point in time.

FINANCIAL RATIOS are relationships determined from a company's financial information and used for comparison purposes. Examples include such often referred to measures as return on investment (ROI), return on assets (ROA), and debt-to-equity etc



1. **Liquidity ratios** are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. ... Current liabilities are analyzed in relation to liquid assets to evaluate the coverage of short-term debts in an emergency.
2. The **turnover ratio** or **turnover rate** is the percentage of a mutual fund or other portfolio's holdings that have been replaced in a given year (calendar year or whatever 12-month period represents the fund's fiscal year)
3. **Profitability ratios** consist of a group of metrics that assess a company's ability to generate revenue relative to its revenue, **operating** costs, balance sheet assets, and shareholders' equity. **Profitability ratios** also show how well companies use their existing assets to generate **profit** and value for shareholders
4. **The risk/reward ratio** is used by traders to manage their capital and **risk** of loss during trading. The **ratio** helps assess the expected return and **risk** of a given **trade**. A good **risk** reward **ratio** tends be anything greater than 1 in 3
5. **Financial risk ratios** assess a company's debt levels, which are an indicator of a company's **financial** health. ... The most common **ratios** used by investors to measure a company's level of **risk** are the interest coverage **ratio**, the degree of combined leverage, the debt-to-capital **ratio**, and the debt-to-equity **ratio**
6. **An accounting Stability ratio** is made by dividing one account item into another. The aim is to obtain a comparison that is easy and beneficial to interpret. Financial **stability ratios** are tools for gauging ability to meet long-term obligations with enough working capital left to operate
7. A **coverage ratio**, broadly, is a group of measures of a company's ability to service its debt and meet its **financial** obligations such as interests payments or dividends. The higher the **coverage ratio**, the easier it should be to make interest payments on its debt or pay dividends
8. **An efficiency / Control Ratio** measures a company's ability to use its assets to generate income. For example, an efficiency **ratio** often looks at various aspects of the company, such as the time it takes to collect cash from customers or the amount of time it takes to convert inventory to cash.

BALANCE SHEET - ITEMS

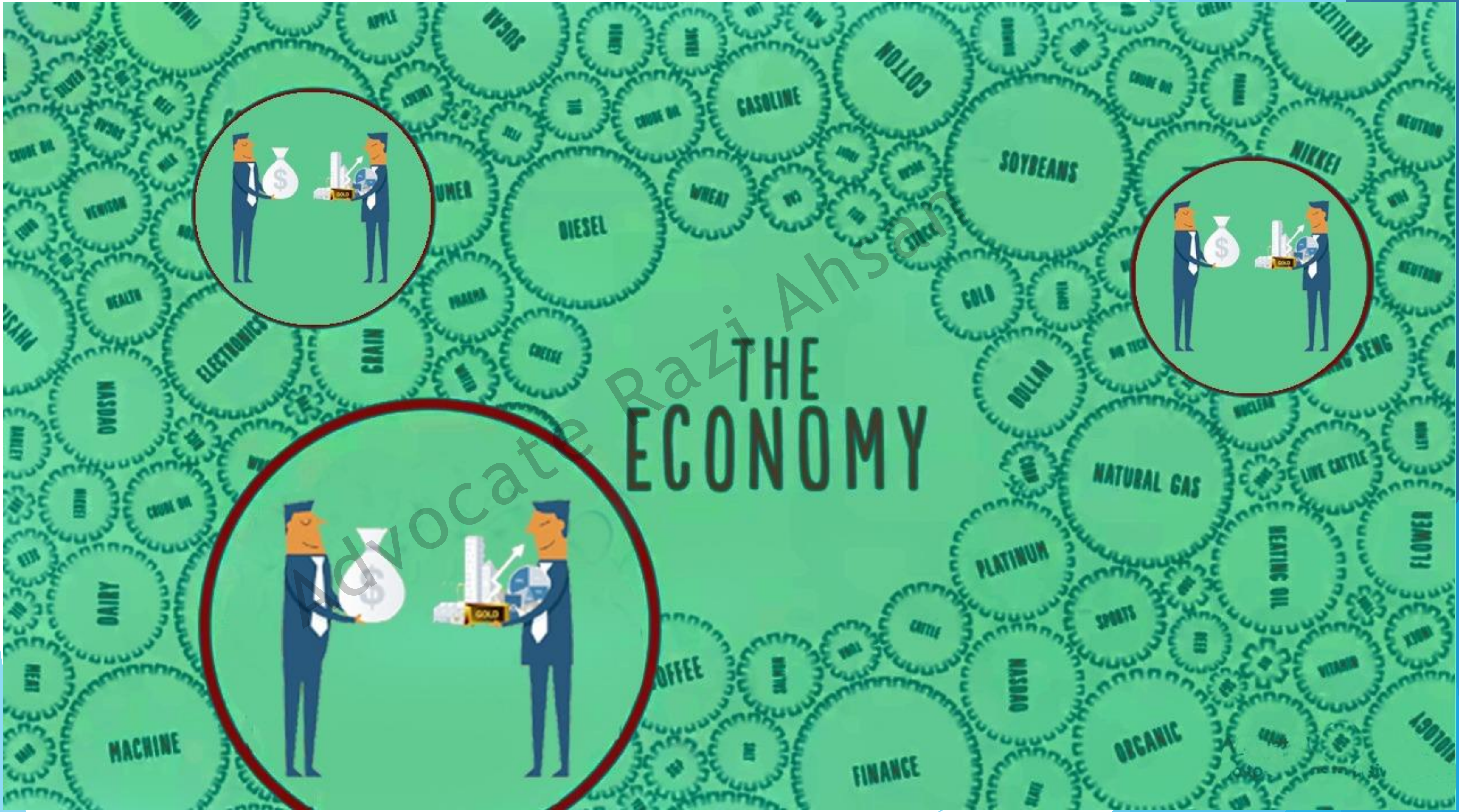
Current Assets	Non Currents Assets	Currents Liabilities	Non Currents Liabilities	Equity
Cash	Tangible	Account Payable /Creditors	Loan	Authorized Capital
Bank	Land	Accrued expense	long Term Borrowing	Paid up capital
Cash In Hand	Building	Rent Payable	Differed Tax	Capital
Inventory	Property	Salaries Payable	Long Term Payable	Owner equity
Store & Spares	Plant & Machinery	Sales Tax		Retained Earning
Advances to Employees	Furniture And Fittings			Share Premium
Prepaid rent	Computer			Debentures
Prepaid Utilities	Vehicle			Reserves
Stock In trade	Long Term investment			
Account Receivable/ Deters	Securities			
Provision For Bad Debts	Differed Tax			
Short Term Investment	Advance Income Tax			
Note Receivable				
Sales Tax	**Intangible Assets**			
Advance Income Tax	Patents & Rights			
	Goodwill			
	Software's			
	Formula			

Profit & Loss / Trading Account - Items

Income	Expenses
Sales	Utilities Expense
Receipts	Advertising Expenses
Fee	Rent Expenses
Services Charges	Salaries Expenses
Any Other Income	Stationary Expenses
	Bad Debts
	Deprecation
	Amortization
	Interest Expenses
	Fee Payment
	Tax Expenses
	Lease Rental
	Any Other Expenses

Business/ Economy


GOLD
Transactions


THE
ECONOMY
SOYBEANS
DIESEL
GASOLINE
COTTON
SUGAR
WHEAT
NIKKEI
GOLD
DOLLAR
NATURAL GAS
PLATINUM
HEATING OIL
FLOWER
ORGANIC
FINANCE
MACHINE
DAIRY
ELECTRONICS
GRAIN
GOLD


MARKET

Basic Economics Concepts :

Monetary Policy, Fiscal Policy, Economic Growth, Capacity Utilization.

GDP, CPI, PPI, Deflation, Inflation, Exchange Rate, Per Capita Income, Productivity Consumption, Purchasing Power Party PPP, Fiscal Deficit, Tax to GDP Ratio, Public Debt, Discount Rate.

How to Read & Compare Budget :

(i) Revenue Target (ii) Real GDP (iii) Fiscal Deficit (iv) Inflation (v) Tax to GDP Ratio etc

Bonds Source of Income for Government:

Type Government, Municipal & Corporate Bond

Three Characteristics Of Bonds : (1) Face Value (2) Coupon Rate (3) Maturity

- The Real economic growth, or real GDP growth rate, measures economic growth as it relates to the gross domestic product (GDP) from one period to another, adjusted for inflation, and expressed in real terms as opposed to nominal terms.

- The Tax-to-GDP Ratio is a ratio of a nation's tax revenue relative to its gross domestic product (GDP), or the market value of goods and services a country produces. Some countries aim to increase the tax-to-GDP ratio to address deficiencies in their budgets

- A Budget Deficit occurs when expenses exceed revenue and indicate the financial health of a country. The government generally uses the term budget deficit when referring to spending rather than businesses or individuals. Accrued deficits form national debt.

- Revenue is the income generated from normal business operations and includes discounts and deductions for returned merchandise. It is the top line or gross income figure from which costs are subtracted to determine net income. Sales Revenue formula. Revenue is also known as sales on the income statement.
- Foreign exchange reserves are assets held on reserve by a central bank in foreign currencies, which can include bonds, treasury bills and other government securities. Economists suggest that it's best to hold foreign exchange reserves in a currency that is not directly connected to the country's own currency
- A receipt that results in either reduction in government assets (sale of share, disinvestment) or increase in some liability (government borrowings) is a capital receipt. Most of the capital receipts of the government are debt receipts and are shown as liabilities of the Government's balance sheet.

- Inflation is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time. ... Often expressed as a percentage, inflation indicates a decrease in the purchasing power of a nation's currency.
- Public Debt It is debt issued by the national government in a foreign currency in order to finance the issuing country's growth and development. ... Sovereign debt is also called government debt, public debt, and national debt.
- The debt-to-GDP ratio is the metric comparing a country's public debt to its gross domestic product (GDP). By comparing what a country owes with what it produces, the debt-to-GDP ratio reliably indicates that particular country’s ability to pay back its debts. Often expressed as a percentage, this ratio can also be interpreted as the number of years needed to pay back debt, if GDP is dedicated entirely to debt repayment.
- A deficit is an amount by which a resource, especially money, falls short of what is required. A deficit occurs when expenses exceed revenues, imports exceed exports, or liabilities exceed assets. ... In other words, the outflow of money exceeds the inflow of funds
- An expenditure represents a payment with either cash or credit to purchase goods or services. An expenditure is recorded at a single point in time (the time of purchase), compared to an expense which is allocated or accrued over a period of time. This guide will review the different types of expenditures used in accounting and finance.
- Capital Expenditure. A company incurs a capital expenditure.
- Revenue Expenditure. A revenue expenditure occurs when a company spends money on a short-term benefit (i.e., less than 1 year).
- Types of invoices may include a receipt, a bill of sale, debit note, or sales ... the invoice number that is useful for internal and external reference.
- A depositary receipt (DR) is a negotiable financial instrument issued by a bank to represent a foreign company's publicly traded securities.

Monetary System

International Monetary System - Background

- In 1944 after World War-II, The **Bretton Woods Conference** was held**,** formally known as The United Nations Monetary and Financial Conference**.**
- 730 delegates from 44 Allied nations participated in conference at Bretton Woods, New Hampshire, United States. The objective is to regulate the International Monetary and Financial Order.

- International Monetary System is a collective result of numerous international agreements spread over several decades.
- The International Monetary System is a set of international Rules & Conventions
- The allied institutions facilitates **(a)** International Trade **(b)** Cross border investment and **(c)** Reallocation of capital between nations.
- It provides means of payment acceptable to buyers and sellers of different nationalities, including deferred payment.
- It ensures sufficient liquidity for fluctuating levels of trade, and provide means by which global imbalances can be corrected.

International Monetary System - Purpose

The Agreements was signed which resulted in a legislative ratification by member governments, they agreed to establish:

1) **IBRD** - The International Bank for Reconstruction and Development , later it became part of the World Bank group &

2) **IMF** - The International Monetary Fund . This led to what was called the Bretton Woods system for international commercial and financial relations.

The Bretton Woods Conference had three main results:

1) Articles of Agreement to create the IMF whose purpose was to promote stability of exchange rates and financial flows.

2) Articles of Agreement to create the IBRD whose purpose was to speed reconstruction after the Second World War and to foster economic development, especially through lending to build infrastructure.

3) Other recommendations are for International Economic Co-operation. The Final Act of the conference incorporated these agreements and recommendations

Difference Between Monitory Policy & Fiscal Policy

Monetary Policy Is To Control:

- **Interest Rate** payable for short-term borrowing OR
- **Money Supply** often as an attempt to reduce Inflation.

Fiscal Policy Is About :

- Taxation & Rate Of Tax
- Government Spending &
- Government Borrowing

(To manage business cycle and other phenomena's such as Recessions).

Pakistan Monetary Policy

Monetary System In Pakistan

The preamble of the SBP Act, 1956 envisages these objectives as '" *Whereas it is necessary to provide for the constitution of a State Bank to regulate the Monetary and Credit System Of Pakistan and to foster its growth in the best national interest with a view to securing monetary stability*".

- Although SBP does not have the independence to set growth and inflation targets, it acquired the authority to implement these targets.
- The Reverse policy rate is the primary instrument of monetary policy in Pakistan.
- The Policy Interest Rate is an interest rate that the monetary authority (i.e. the SB/Central Bank) sets in order to influence the evolution of the main monetary variables in the economy (e.g. Consumer Prices, Exchange Rate or Credit Expansion etc.)
- The three instruments of monetary policy are :

(a) Open Market Operations (b) The Discount Rate (c) Reserve Requirements.

The State Bank of Pakistan Deals In Different Banking Areas

- State Bank's Shariah Board approves essentials for Islamic modes of financing
- Supervision of Banking sector in Pakistan
- Supervision of Small & Medium Enterprises (SMEs)
- Minimum capital requirement for Banks and Remittance facilities in Pakistan
- Guideline for Corporate Governance, Risk Management & Commercial paper
- SBP Scheme for Agricultural Financing

Digital Payment Network: The National Payment System Strategy **(NPSS)**, Electronic Money Institutions **(EMIs)**, Payment System Operators **(PSOs)** and Payment Service Providers **(PSPs)**.

This strategy lays out a road map and action plan for Pakistan to have a modern and robust Digital Payments Network.

Monetary System In Pakistan

- Open market operations involve the buying and selling of government securities
- SBP focuses on achieving monetary stability by controlling inflation close to its annual and medium-term targets set by the government. At the same time, SBP also aims to ensure financial stability, particularly the smooth functioning of the financial market and the payments system

The Monetary Policy Committee was given the responsibility to formulate, support and recommend monetary policy. It may also, as appropriate, make decisions relating to:

(a) Intermediate monetary objectives, (b) Key interest rates (c) The supply of reserves in Pakistan and (d) To propose regulations for their implementation.

- The Karachi Interbank Offered Rate (KIBOR) is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Karachi wholesale (or "interbank") money market

Pakistan Fiscal Policy

Pakistan Fiscal Policy

In Pakistan federal government budget categorizes in two parts.

(a) Public Revenue & (b) Expenditure.

The key objective of Fiscal Policy is to enhance and sustain economic growth and therefore to reduce unemployment and poverty by imposing Taxes.

There are three types of fiscal policy:

(1) Neutral Policy (2) Expansionary Policy & (3) Contractionary Policy.

In Expansionary Fiscal Policy, the government spends more money than it collects.

In Contractionary FP, the government collects more money through taxes than it spending.

Federal

BUDGET 2022-23

BUDGET 2022-23

		(PKR in Billion)						(PKR in Billion)
	RESOURCES				**EXPENDITURE**			
	Total Revenue FBR	7,004		A.	**Current**			**8,694**
	Direct Taxes (2,558 i.e. 37% of FBR Rev)							
	Indirect Taxes (4,431, i.e. 63% of FBR Rev)				Interest Payments	3,950	42%	
					Pension	530	6%	
	Non Tax Revenue	2,000			Defence Affairs & Services	1,523	16%	
(a)	Gross Revenue	9,004						
(b)	Less Provincial Share	4,100						
					Grants & Transfer to Provinces	1,242	13%	
I.	**Net Revenue Receipts (a-b)**	**4,904**	52%		Subsidies	699	7%	
					Running Civil Govt	550	6%	
II.	**Non Bank Borrowing**	**1,996**	21%		Provision for Disaster	100	1%	
	(NSS & Others) Public Account				Emergency/ Covid			
III.	**Net External Receipts**	**533**	6%		Provision for Pay & Pansion	100	1%	
	(Fed Consolidated Funds)							
IV.	**Estimated Provincial Surplus**	**800**	8%					
V.	**Bank Borrowing**	**1,172**	12%	B.	**Development**			**808**
	(T-Bills, PIBs, Sukuk)				Federal PSDP	727	8%	
VI.	**Privatization Proceeds**	**96**	1%		Net Landing	81	1%	
	TOTAL RESOURCES	**9,502**			**TOTAL EXPENDITURE**			**9,502**

FISCAL DEFICIT & FINANCING

		(PKR in Billion)			(PKR in Billion)
A	Federal Revenue (Net)	4,904	A	Net External Financing	1,667
B	Total Federal Expenditure	9,502		Multilateral & Billateral Sources	1,223
				Commercial Sources	444
i)	Current Expenditure	8,694			
ii)	Development & Net Landing	808	B	Net Domestic Financing	2,835
iii)	Federal PSDP	727		National Saving Schemes & Others	-125
iv)	Net Landing	81		Bank (Govt Securities)	2,960
			C	Privatization Proceeds	96
	FEDERAL DEFICIT (A-B)	**-4,598**		**Total Financing (A + B + C)**	**4,598**

					(PKR in Billion)
1	**Tax Revenue Receipts**				**7,004**
	FBR Direct Taxes				
	Taxes on Income	2,558			
	Capital Value Tax	0.515			
	Ordinary Collection (WWF)	6.947			
	Contribution under Companies Profit (WPPF)	7.462			
			2,573	**29%**	
	FBR Indirect Taxes				
	Customs Duty	953			
	Sales Tax	3,076			
	Federal Excise Duty	402			
			4,431	**49%**	
2	**Non-Tax Revenue Receipts**				**1,999.8**
	Levies and Fees		35.151	0.4%	
	Income from Property & Enterprise		279.647	3%	
	Receipts from Civil Adminstration		354.044	4%	
	Total Revenue Receipts				**9,004**

Sindh

BUDGET 2022-23

Sindh Budget 2022-2023 - PKR 1680 Billion (Arab)

(1)	(2)	(3)	(4)	(5)	(6)
Federal Transfers Current Revenue Receipts	**Provincial Taxes** Current Revenue Receipts	**Current Capital** Receipts	**Other Receipts**	**CASH Carry** over Balance	**Public Account** Of Province
1055 Billion	**374** Billion	**51** Billion	**105** Billion	**73** Billion	**20** Billion
63%	**22%**	**3%**	**6%**	**5%**	**1%**

Sindh Budget 2022-2023

Expenditure PKR 1714 Billion (Arab)

(1)	(2)	(3)
Current Revenue Expenditure	Current Capital Expenditure	Other (Provincial ADP/ FPA/Fed Grant/ Dist ADP
1199 Billion	**54** Billion	**460** Billion
70%	**3%**	**27%**
Deficit (PKR)	**-33 Billion/ Arab**	

Historical Journey Of

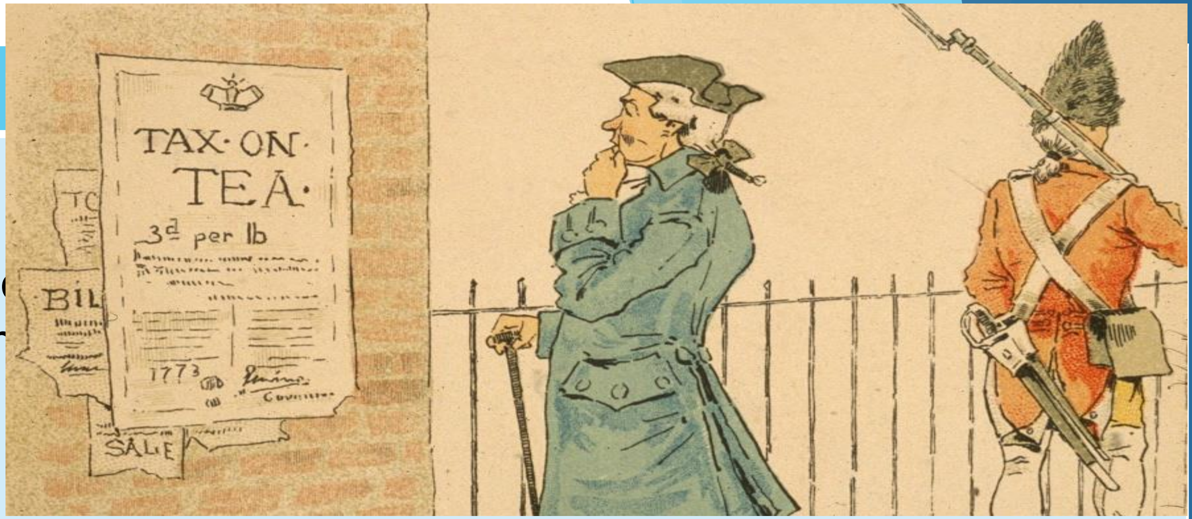
TAXATION

Tax History

The history of Taxation evolved from ancient **Egypt, Pharaoh**
Their Tax collectors were called "**Scribes**" they collect money
citizens to meet government expenditures.

The **Romans** introduced the concept of **Customs Duties** on imports and exports. These duties were called "Portoria". Their Officers were called "**Publicani**" a public contractor Who collects the Tax from a particular area of his jurisdictio

Income Tax Act 1860	It remained till 1865 Agricultural income If higher then Rs. 690 per annum Tax was levied o persons earning annual income fror Rs. 200 to Rs. 500 @ 2% and from Rs. 500 and above @ 4%.
Income Act 1886	was an important landmark in the history of taxation of the Subcontinent. This was the first systematic tax legislation in the subcontinent which brought remarkable improvements to the tax system., Itself continued up to 1918 and during its life of **32 years**, only one Major amendment was made in it in the year 1903.
Income Tax Act 1918	was introduced to recast the entire tax laws of 1886. New concepts of Total Income Accrues, arises, or received has been introduced, law of **Super Tax** on income over Rs. 50,000 on undistributed profit of corporation and other entities was introduced which was subsequently modified into Super Tax Act 1920
Income Tax Act 1922 **(LAND MARK ACT)**	**Administration of Income Tax was shifted from the hands of Provincial Governments to the Central Government of India. Another remarkable feature of this Act was that the rates were to be enunciated by annual Finance Acts instead of Basic enactments. In 1944, “Pay as You Earn” scheme (WHT) was introduced.**



Tax History After Independence

After Independence both the Governments of India and Pakistan in 1947, adopted

The Income Tax Act, 1922 as its official income tax laws, 1960 Tax year was changed. In 1965 “Self-Assessment scheme was introduced” before that an assessment officer was assessed the income and determined the tax liability of the person

Income Tax Ordinance, 1979 was introduced After 32 years of the Independence there was continuous criticism from the major foreign donors. e.g. IMF and world Bank that the existing Income Tax laws of the country is not aligned with the international standards

Tax History

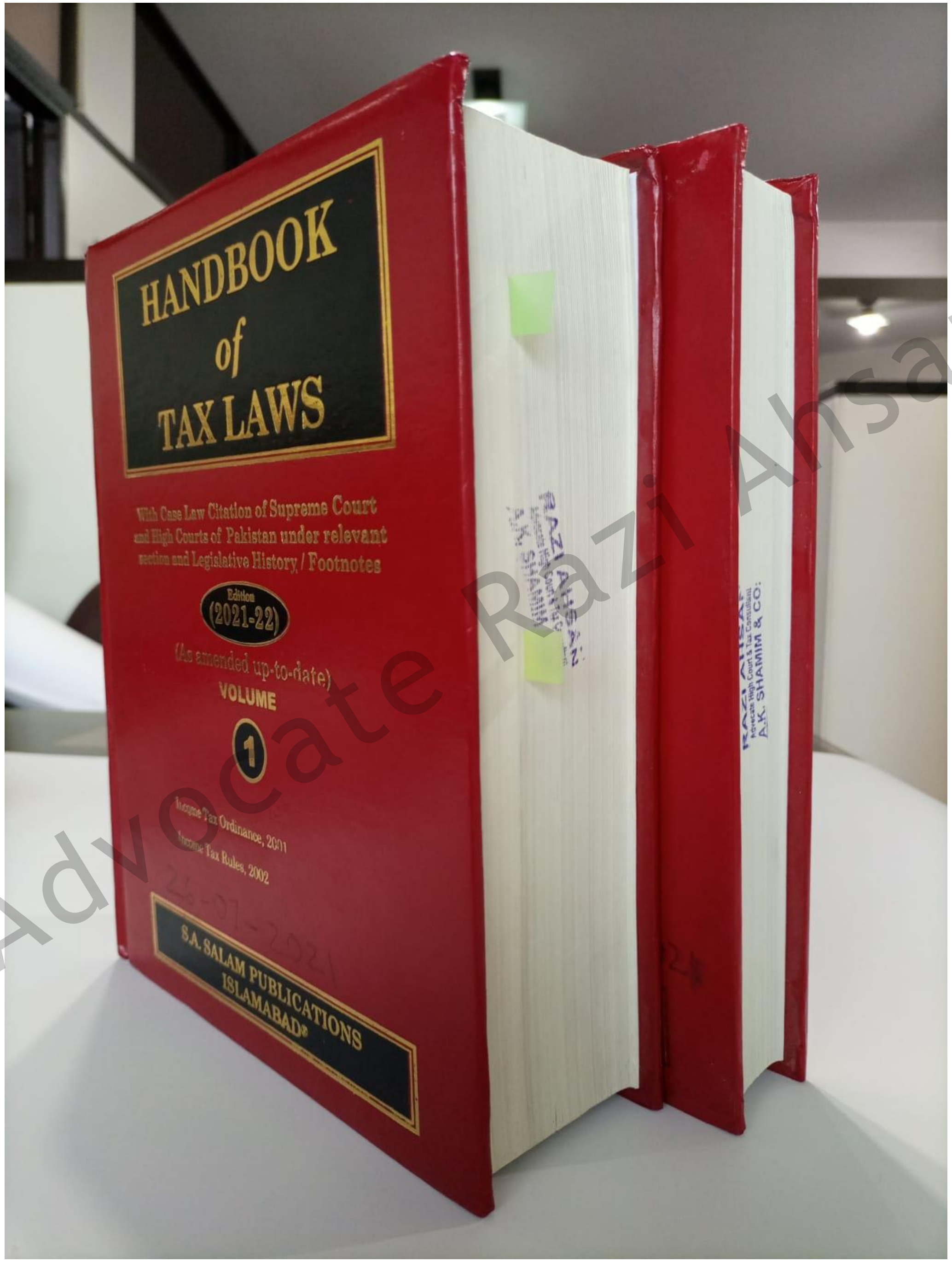
The Government of Pakistan on the dictation of IMF introduced a new income tax

<u>"The Income Tax Ordinance, 2001"</u>

as a precondition of loan program with IMF

Written by: An Australian Law Practitioner, **<u>Assistant Professor Mr. Lee Burns</u>**

- **IRIS Was Enforced from 2014**


HANDBOOK
of
TAX LAWS
With Case Law Citation of Supreme Court and High Courts of Pakistan under relevant section and Legislative History / Footnotes
Edition
(2021-22)
(As amended up-to-date)
VOLUME
1
Income Tax Ordinance, 2001
Income Tax Rules, 2002
S.A. SALAM PUBLICATIONS
ISLAMABAD
A.K. SHAMIM & CO.

PROMULGATION OF INCOME TAX ORDINANCE, 2001:

1. After 22 years of the promulgation of the Income Tax Ordinance, 1979, there was continuous criticism from the major foreign donors IMF and world Bank that the existing Income Tax laws of the country is not aligned with the international standards.

2. **The Government of Pakistan on the dictation of IMF introduced a new income tax law namely, "The Income Tax Ordinance 2001" as a precondition of the loan program with IMF.**

1. The Ordinance was promulgated on September 13, 2001 by the Government of General Pervez Musharraf. It was published in the Extraordinary Gazette of Pakistan at pages bearing Nos. 969 to 1217. The Income Tax Ordinance, 2001: to overrides other laws enforceable in Pakistan.

2. The Federal Government, **vide its notification No. S.R.O. 381 (1)/ 2002, dated 15th June, 2002, announced that the Income Tax Ordinance, 2001 shall came into force on the first day of July, 2002**.

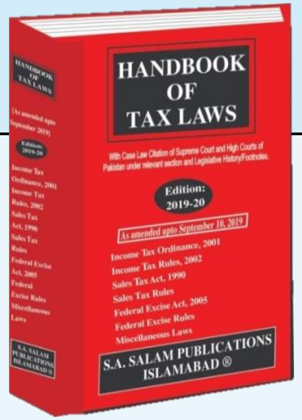
INCOME TAX RULES 2002:

1. The FBR under the authority of section 237 of the Income Tax Ordinance, 2001 made the Income Tax Rules, 2002. These rules were published on July 1, 2002 in Extraordinary Gazette of Pakistan at pages 1819 to 1966.

2. **The new Income Tax Ordinance which was written by an Australian Law practitioner**

Objective Of Income Tax Ordinance 2001

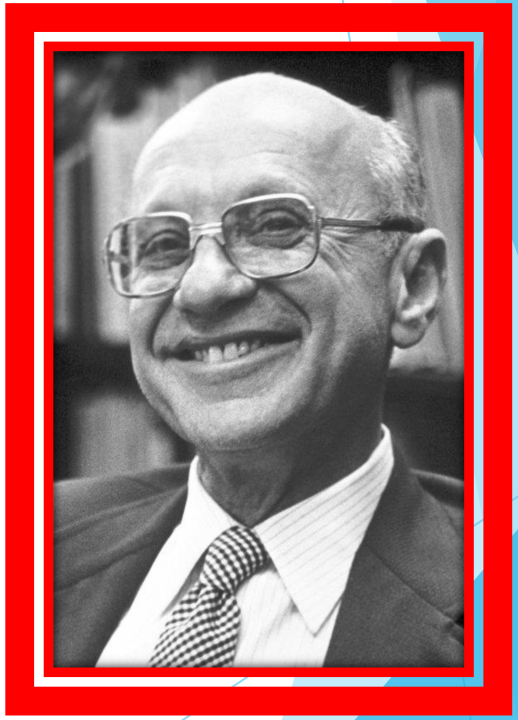
S.No	Purpose	Explanation
1	Collection of Tax	Levy (Impose) and Recovery (Collect)
2	Redistribution of Money	Through progressive taxation to min inequality
3	Enforce Government's Fiscal Policy	By granting exemption to a particular sector & to support specific Economic Activity



FBR - Source Of Income

Head Of Income

1. Salary ………………………………………(section 12)
2. Property Income…………………………… (section 15)
3. Business Income……………………………. (section 18)
4. Capital Gain………………………………… (section 37)
5. Other Source of Income………………… (section 39)



British Economist Milton Freidman

Impact Of Withholding Regime On Businesses

- Modern WHT System was developed by British economist Milton Freidman. In Pakistan it is the major source of revenue collection. <u>The share of WHT in Direct taxes is around 67.1%.</u> But the Tax authorities focus generating of revenue from existing taxpayers and collection through Withholding agents

- Why WHT ? Governments have written laws which require taxes to be paid before the money can be spent for any other purpose. This ensures that the taxes will be paid first and on time, rather than taking the risk and the possibility that the tax-payer might <u>default</u> at the time when tax falls due as Arrears.

- Under the ordinance its obligatory to collect and deduct tax at source by the Withholding Agent at the time when an economic activity take place.

Impact Of Withholding Regime On Businesses

- To government WHTs provides revenue regularly throughout the year for its expenditure and operations, and To the taxpayers it provides an opportunity to discharge their obligations in manageable installments.

- The WHT Regime provides Final tax or Adjustable tax against tax liability. In case of Final Tax it provides immunity from probing of Information and Audits.

- WHT regime is getting popularity in revenue generation because **It shifts the responsibility for tax collection on withholding agents (Tax Payers**). It is collected/ deducted by cost free machinery i.e. Tax payers

- **WHT requires knowledge & systematic study for their compliance.**
- **Non compliance shall attract sever penalties.**

Withholding Tax

- WHT is deducted at Source before the money can be spent.
- For Govt. it's a Regular Income throughout the year.
- For Taxpayers: opportunity to pay their liabilities in Installments.

Comparison Between Direct and Indirect Taxes

Basic of Comparison	Direct Tax	Indirect Tax
Meaning	Direct Tax is referred to as the Tax which is paid by the person to the government to whom it is levied and charged on the income and wealth of person	Indirect tax is referred to as the tax which is paid by Third Person on behalf of Taxpayer to the government i.e. charged indirectly on Goods and Services
Burden	The person on whom it is levied bears the burden	The burden of tax is passed on/ shifted, and finally the End consumer bears the burden
Types	**Income tax, Wealth tax, Property tax, Corporate tax,**	**Sales tax, VAT, Excise duty, Custom duties**
Evasion	Tax Evasion is possible	Tax evasion is hardly possible because it is included in the price of Goods & Services
Inflation	Direct tax helps in reducing inflation	Indirect tax increase inflation
Levied On	Person, Individuals, Companies, Firms etc	Consumers of Goods & Services
Nature	**Progressive** (More you earn more you pay the Tax)	**Regressive** (Cause Inflation)

Direct Tax (Progressive)   High Income High Tax


INDIRECT TAX

Inflation


Value
Added Tax
Custom
Duty
Indirect
Tax
Central
Sales Tax
Excise
Duty
Service Tax


Sales Tax


IMPORT
EXPORT
Customs Duty
Introduction


Excise
Duty


BENEFITS OF FILING INCOME TAX RETURN
ATM
Less Taxes on WHT on Cash Withdrawal from Banking Institutions
No Taxes on Banking Instruments and Online Money Transfer
REAL ESTATE
Less Taxes
Buying/Selling/Transfer
of
Immovable Property
Less Taxes on Registration/Transfer/Token of Motor Vehicles
Less Taxes on Bank Profits |Dividends| Saving Certificates Prize Bonds winning etc.
LOAN
Services
Preference in loan approvals from Banking Institutions
Accurate Income Assessment while Visa Processing
Less Taxes on providing Professional Services
Preference in Government Tenders & Registration for Corporate Panels
Avoidance of Penalty Rs. 20,000/- for Non-Filing of Income Tax Return


Legal notice


Audit


ALTERNATIVE
DISPUTE
RESOLUTION
(ADR)

Conclusion

- Filling Of Return is a Legal Obligation
- Tax Savings are available to Fillers Only
- Fillers Can avail Risk Mng / Retirement Plans
- In future **Heritance** is subject to declaration

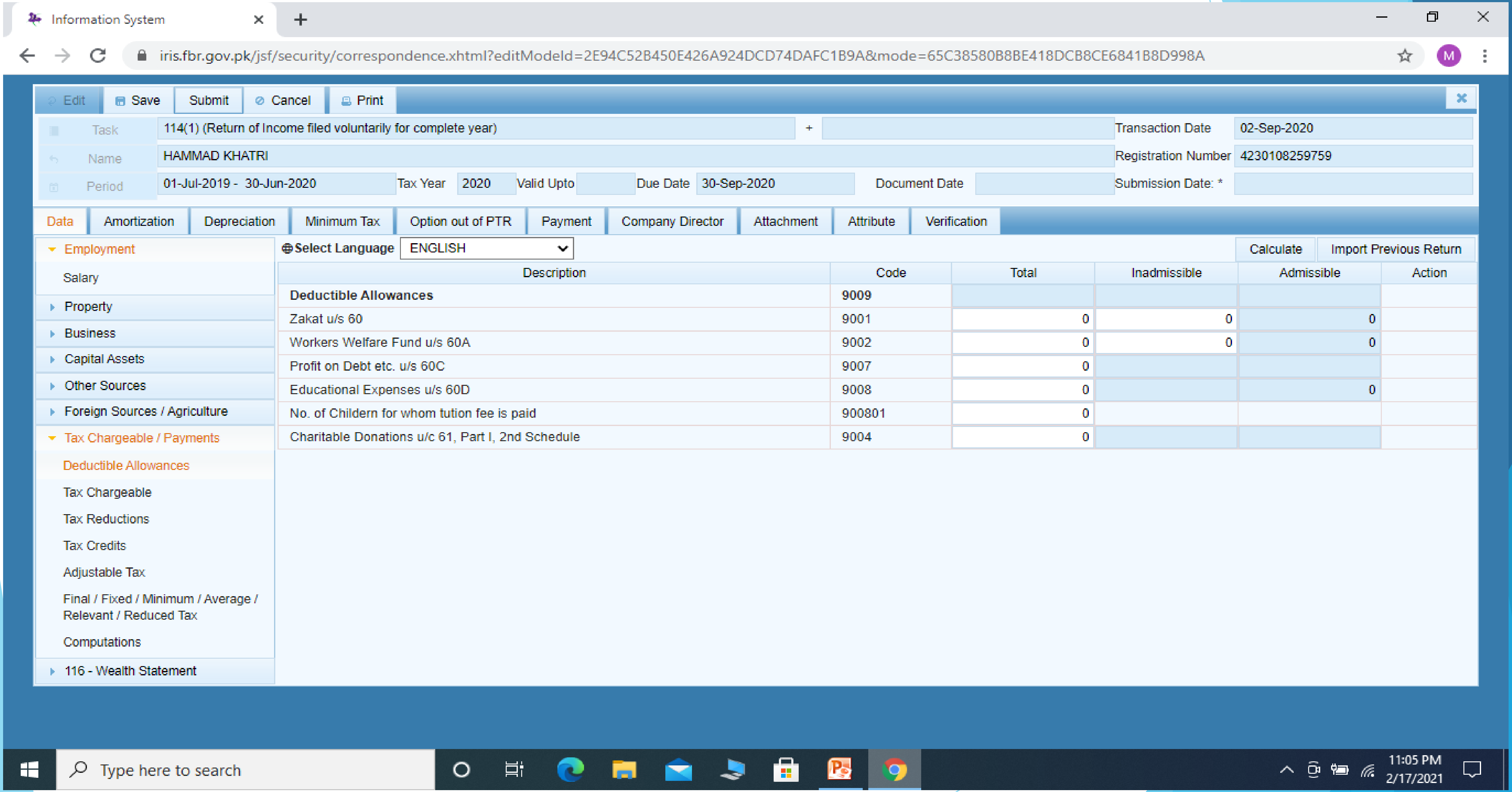
(Heirs/ Successors/ Children will face serious consequences and have to pay default before transfer in their Names)

Manage Your Tax OR Suffer Burden

..

Tax Allowances

Tax Allowances



Information System

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Edit | Save | Submit | Cancel | Print

Task	114(1) (Return of Income filed voluntarily for complete year)			Transaction Date	02-Sep-2020
Name	HAMMAD KHATRI			Registration Number	4230108259759
Period	01-Jul-2019 - 30-Jun-2020	Tax Year 2020	Valid Upto	Due Date 30-Sep-2020	Document Date	Submission Date: *

Data | Amortization | Depreciation | Minimum Tax | Option out of PTR | Payment | Company Director | Attachment | Attribute | Verification

- Employment
  - Salary
- Property
- Business
- Capital Assets
- Other Sources
- Foreign Sources / Agriculture
- Tax Chargeable / Payments
  - Deductible Allowances
  - Tax Chargeable
  - Tax Reductions
  - Tax Credits
  - Adjustable Tax
  - Final / Fixed / Minimum / Average / Relevant / Reduced Tax
  - Computations
- 116 - Wealth Statement

Select Language: ENGLISH

Calculate | Import Previous Return

Description	Code	Total	Inadmissible	Admissible	Action
Deductible Allowances	9009				
Zakat u/s 60	9001	0	0	0	
Workers Welfare Fund u/s 60A	9002	0	0	0	
Profit on Debt etc. u/s 60C	9007	0			
Educational Expenses u/s 60D	9008	0		0	
No. of Childern for whom tution fee is paid	900801	0			
Charitable Donations u/c 61, Part I, 2nd Schedule	9004	0			

Tax Credit

Tax Credits

Information System

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Data | Amortization | Depreciation | Minimum Tax | Option out of PTR | Payment | Company Director | Attachment | Attribute | Verification

- Employment
  - Salary
- Property
- Business
  - Manufacturing / Trading Items
  - Other Revenues
  - Management, Administrative, Selling & Financial Expenses
  - Inadmissible / Admissible Deductions
  - Adjustments
  - Business Assets / Equity / Liabilities
- Capital Assets
- Other Sources
- Foreign Sources / Agriculture
- Tax Chargeable / Payments
- 116 - Wealth Statement

Select Language: ENGLISH | Calculate | Import Previous Return

Description	Code	Eligible Amount	Ineligible Amount	Tax Credit	Action
Tax Credits	**9329**				
Tax Credit for Charitable Donations u/s 61	9311	0			
Tax Credit for Investment in Shares, Sukkuks and Life Insurance Premium u/s 62	9312	0			
Tax Credit for Investment in Health Insurance u/s 62A	93121	0		0	
Tax Credit for Contribution to Approved Pension Fund u/s 63	9313	0			
Tax Credit u/s 103	9320				
Tax Credit for Tax Paid on Share Income from AOP	9321				
Tax Credit for Trust / Welfare Institution / Non-Profit Organization u/s 100C	9323				
Surrender of Tax Credit on Investments in Shares disposed off before time limit	9328				
Tax Credit for persons employing fresh graduates u/s 64C (where strength of freshly qualified graduates employed does not exceed 15% of total number of employees)	9327	0			

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Tax Adjustment

Tax Adjustment

Information System

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Motor Vehicle Sale u/s 231B(3)	64100303		0
Motor Vehicle Sale u/s 231B(3) - 9999 - cccc	64100303		0
Motor Vehicle Leasing u/s 231B(1A) (Non-ATL) @4%	64100304		0
Motor Vehicle Leasing u/s 231B(1A) (Non-ATL) @4% - 999 - ccc	64100304		0
Margin Financing, Margin Trading or Securities Lending u/s 233AA	64120201		0
Goods Transport Public Vehicle Tax u/s 234	64130001	0	0
Goods Transport Public Vehicle Tax u/s 234 - 999 - ccc	64130001	0	0
Passenger Transport Public Vehicle Tax u/s 234	64130002	0	0
Passenger Transport Public Vehicle Tax u/s 234 - 999 - cc	64130002	0	0
Private Vehicle Tax u/s 234	64130003	0	0
Private Vehicle Tax u/s 234 - 999 - ccc	64130003	0	0
Electricity Bill of Domestic Consumer u/s 235A	64140101	0	0
Electricity Bill of Domestic Consumer u/s 235A - 999 - ccc	64140101	0	0
Telephone Bill u/s 236(1)(a)	64150001	0	0
Telephone Bill u/s 236(1)(a) - 999 - ccc	64150001	0	0
Cellphone Bill u/s 236(1)(a)	64150002	0	0
Cellphone Bill u/s 236(1)(a) - 9999 - cccc	64150002	0	0
Prepaid Telephone Card u/s 236(1)(b)	64150003	0	0
Prepaid Telephone Card u/s 236(1)(b) - 9999 - ccc	64150003	0	0
Phone Unit u/s 236(1)(c)	64150004	0	0
Phone Unit u/s 236(1)(c) - 999 - ccc	64150004	0	0
Internet Bill u/s 236(1)(d)	64150005	0	0
Internet Bill u/s 236(1)(d) - 9999 - ccc	64150005	0	0
Prepaid Internet Card u/s 236(1)(e)	64150006	0	0
Prepaid Internet Card u/s 236(1)(e) - 9999 - ccc	64150006	0	0
Purchase by Auction u/s 236A	64150101		0
Domestic Air Ticket Charges u/s 236B	64150201		0

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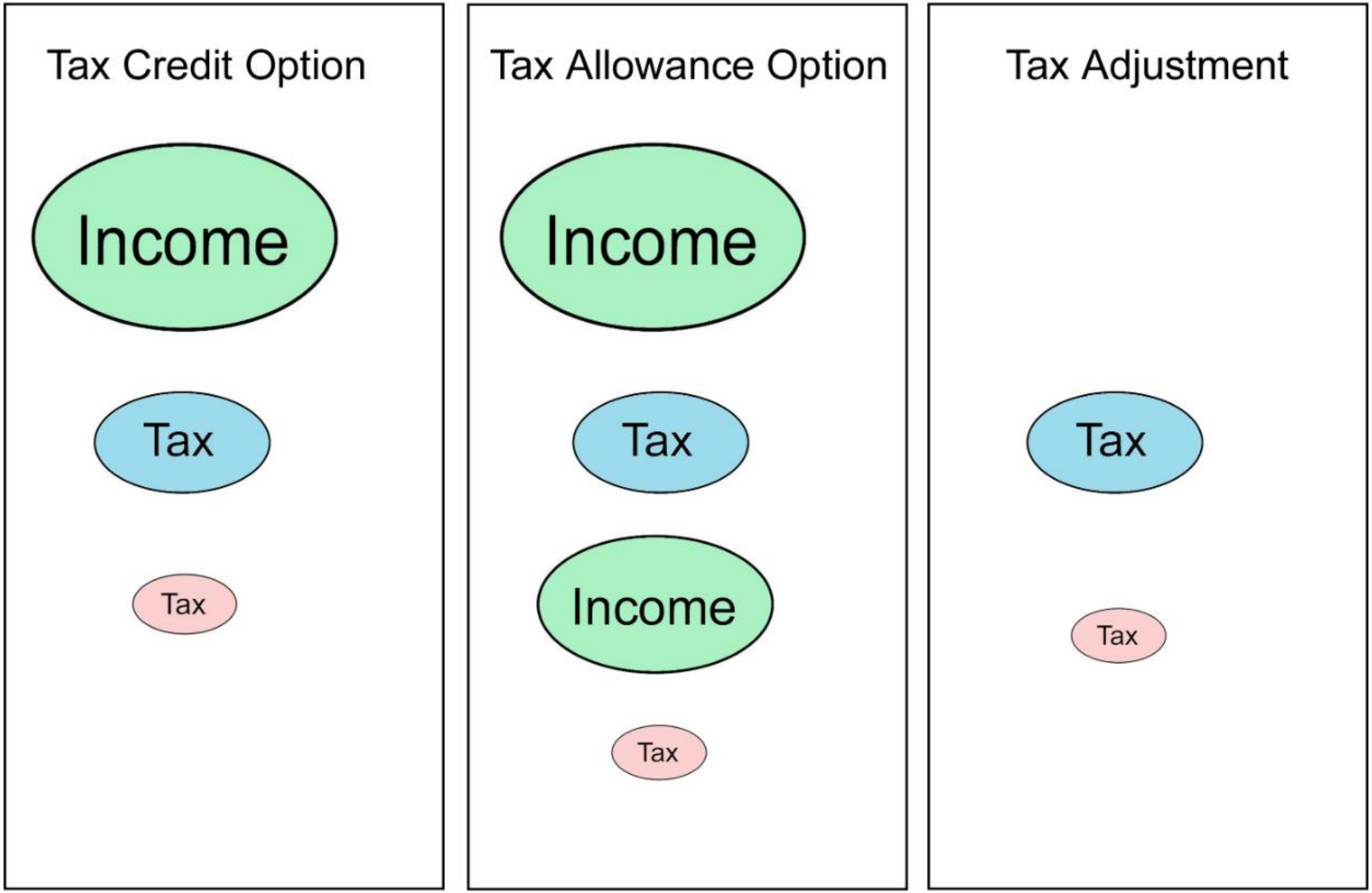
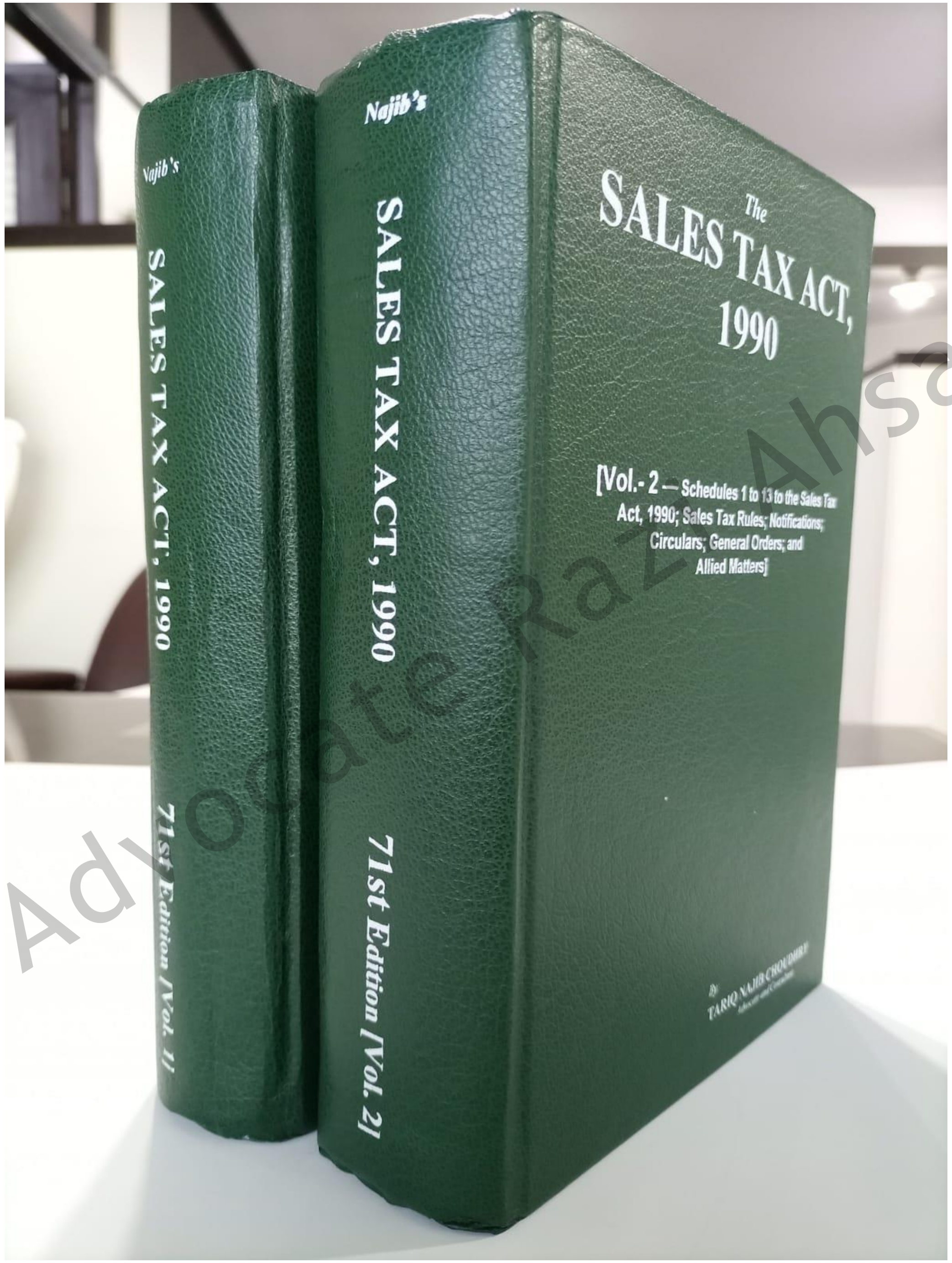
Tax Adjustment

- Salary of Employees …………………………………………………………..……………..…………………………….u/s 149
- Rent of Property ……………………………………………………………………..……………………………………...u/s 155
- Cash Withdrawal from Bank………………………………………………….………………………………………… u/s 231A
- Motor Vehicle Registration Fee…………………………………….……………………………………………….. u/s 231B(1)
- Motor Vehicle Transfer Fee…………………………………………….……………………………………………… u/s 231B(2)
- Motor Vehicle Sale……………………………………………………….…………………………………………….. u/s 231B(3)
- Private Vehicle Tax……………………………………………………..………………………………………………… u/s 234
- Cellphone Bill ………………………………………………….……………………………….………………………….u/s 236(1)(a)
- Internet Bill…………………………………………………………………….……………………………………………… u/s 236(1)(d)
- Domestic Air Ticket Charges………………………………………………………………………………………….... u/s 236B
- Sale / Transfer of Immovable Property……………………………………………………………………………… u/s 236C
- Educational Institution Fee ……………………………………………………..…………………………………….u/s 236I
- General insurance premium………………………………………………..……………………………………………..u/s 236U
- Life insurance premium………………………………………………….………………………………………………. u/s 236U
- Persons remitting amount abroad through credit / debits / prepaid cards…...................... u/s 236Y

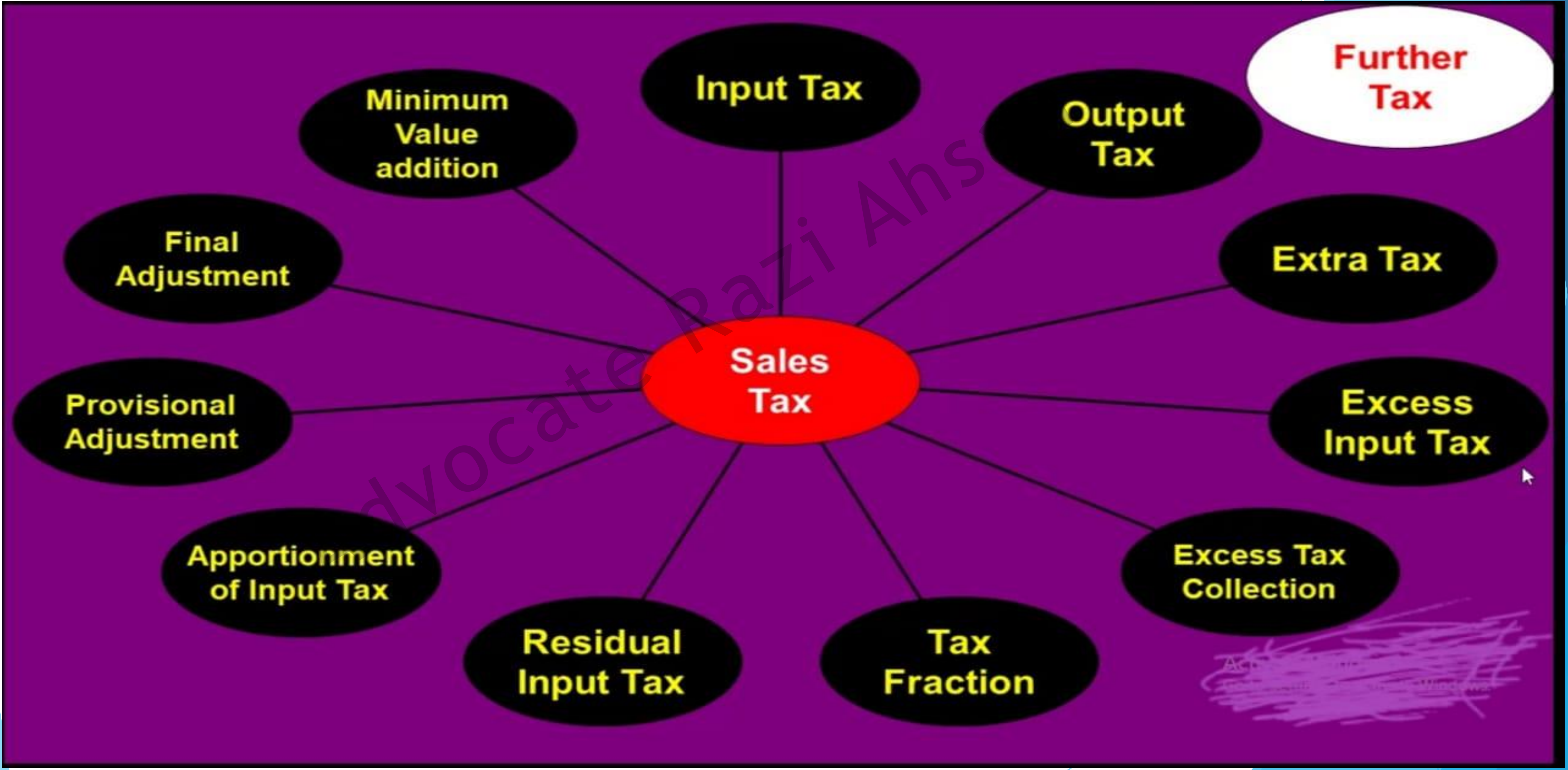

Tax Credit Option
Income
Tax
Tax
Tax Allowance Option
Income
Tax
Income
Tax
Tax Adjustment
Tax
Tax

SAVINGS Through Tax Credit, Allowance & Adjustments

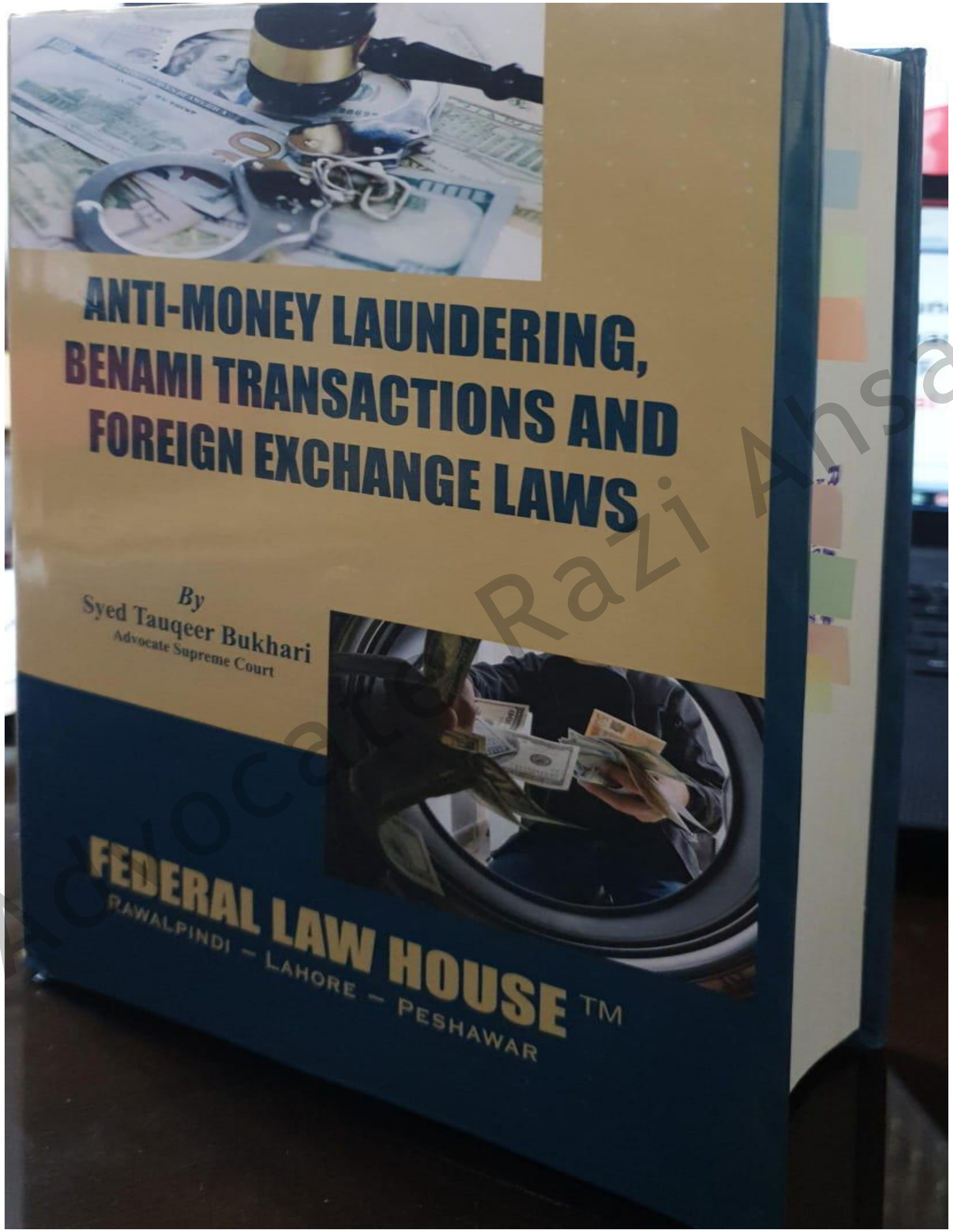
Tax Credit (9 Options)	An amount of money that taxpayers are permitted to subtract, from the Income Taxes that they owe
Tax Allowance (6 Options)	An exemption that reduces income tax, an amount of money that can be taken off from Income OR savings, or from a company's profits before the tax is calculated
Tax Adjustments (66 Options)	Transactions which are entered to adjust "Tax Payable" and to arrive at the correct tax liability that need to be paid


Najib's
SALES TAX ACT, 1990
71st Edition [Vol. 1]
Najib's
SALES TAX ACT, 1990
71st Edition [Vol. 2]
The
SALES TAX ACT,
1990
[Vol.- 2 — Schedules 1 to 13 to the Sales Tax Act, 1990; Sales Tax Rules; Notifications; Circulars; General Orders; and Allied Matters]
By
TARIQ NAJIB CHOUDHRY

Sales Tax – Terminologies



Terminology	Explanation
Input Tax	Input tax is the tax paid by registered person on the taxable goods and services purchased or acquired by him. This includes the sales tax paid on imports. [Purchase Locally / Import/ Goods and on Services]
Output Tax	It is the sales tax charged and levied on the sale or supply of goods or services on which sales tax is livable. At the time of Sale @ 17%/ Reduce/ High Rate as well , Sales Tax (Liability) = Output ST - Input ST
Further Tax	**Further tax** at 3% is chargeable on all supplies made to unregistered persons under section 3 (1A) of the Sales **Tax** Act, 1990. If Reg then Charge ST @ 17% if not Reg then additionally Charge Further Tax 3%
Extra Tax	5% extra tax is chargeable on electricity and gas bills from all unregistered industrial and commercial consumers
Excess Input Tax	Possibility that More Purchases and low sales then Input Tax will be high should we claim refund OR Carry Forward C/F
Excess Tax Collection	If collect by mistake (a) Return to FBR (b) Customer
Tax Fraction	If Know Total Value / 117 X 17 to find Sales Tax value from Total
Residual Input Tax	**Residual input tax** is **input tax** on purchases used to make both Taxable and Exempt supplies. Basically the **input tax** claimed in each period is only provisional. This is reviewed at the end of a longer period (which is normally a **tax** year) eg If are buying Paper(Table) and making Books (Exempted) and Calendar (Subject to ST)
Apportionment Of Input Tax	**Apportionment of input tax** A taxpayer is not allowed to claim the **input tax** relating to exempt supplies. Consequently, **input tax** needs to be **apportioned** between taxable and exempt. supplies in accordance with following formula: [value of taxable supplies / (value of taxable + exempt supplies)] x residual. **input tax**
Provisional Adjustment	Monthly **adjustment** of input **tax** claimed by a registered person through above formula shall be treated as **provisional adjustment** and at the end of each financial year, the registered person shall make final **adjustment** on the basis of taxable and exempt supplies made during the course of that year
Final Adjustment	At the **end** of each financial year, the registered person shall make **final adjustment** on the basis of taxable and exempt supplies made during the course of that year
Minimum Value Addition	3 % minimum value addition sales tax on all sorts of imported goods, from July 1, 2019, including raw materials and intermediary goods meant for use in an industrial process, which are subject to customs duty except duty slabs of 16 or 20 percent.


ANTI-MONEY LAUNDERING,
BENAMI TRANSACTIONS AND
FOREIGN EXCHANGE LAWS
By
Syed Tauqeer Bukhari
Advocate Supreme Court
FEDERAL LAW HOUSE TM
RAWALPINDI – LAHORE – PESHAWAR
Advocate Razi Ahsan

Money Laundering
Terror Financing
FATF
DNFBP (Real Estate)

Money Laundering/ Terror Financing

- **FATF** was established by G7 in Paris 1989 it deals with non-cooperative countries the objective is to establish “Legal Regulatory & Operational Measures” to fight money laundering, terrorist Finincing. FATF has no investigative authority it works with states to implement Legislative & Regulatory Reforms. It provides policy recommendations as per international standards
- To control **white collar crimes** Anti-Money Laundering (AML) enforced
- A person shall be **guilty of offence of money laundering** if the person acquires, convers, possesses, transfers property, conceals, disguises the TRUE nature , holds or posseses on behalf of any other person or participates in associates, conspires to commit, attempts to commit, aids, abets, facilitates or counsels the commission of acts knowing or having reasons to believe that such property is proceeds of crime

Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) for DNFBPs

- Under the Anti-Money Laundering Act, the Federal Board of Revenue is responsible for ensuring that designated non-financial businesses and professions (DNFBPs) including real estate agents, dealers in precious metals and stones, and FBR-supervised accountants comply with anti-money laundering and counter financing of terrorism obligations.
- **They will be supervised by other competent authorities and self-regulatory bodies.**

Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) for **DNFBPs**

Money Laundering

Money laundering has been addressed in the UN Vienna 1988 Convention Article 3.1 describing Money Laundering as:

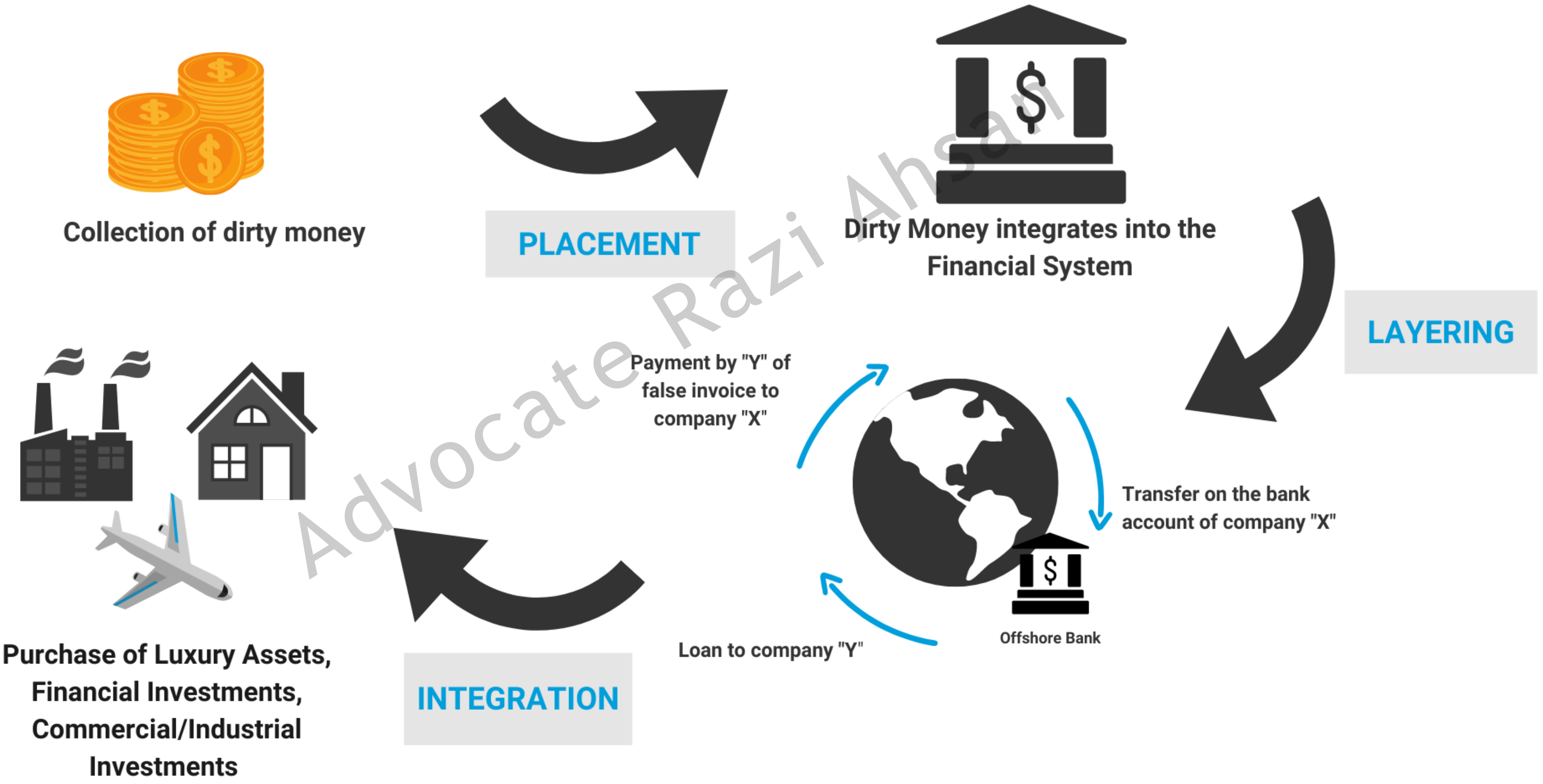
"the conversion or transfer of property, knowing that such property is derived from any offense(s), for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions".

Money laundering is a process which typically follows three stages to finally release laundered funds into the legal financial system.

THREE Stages of Money Laundering

1) Placement (i.e. moving the funds from direct association with the crime)
2) Layering (i.e. disguising the trail to foil pursuit)
3) Integration (i.e. making the money available to the criminal from what seem to be legitimate sources)

Money Laundering Cycle



Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) for **DNFBPs**

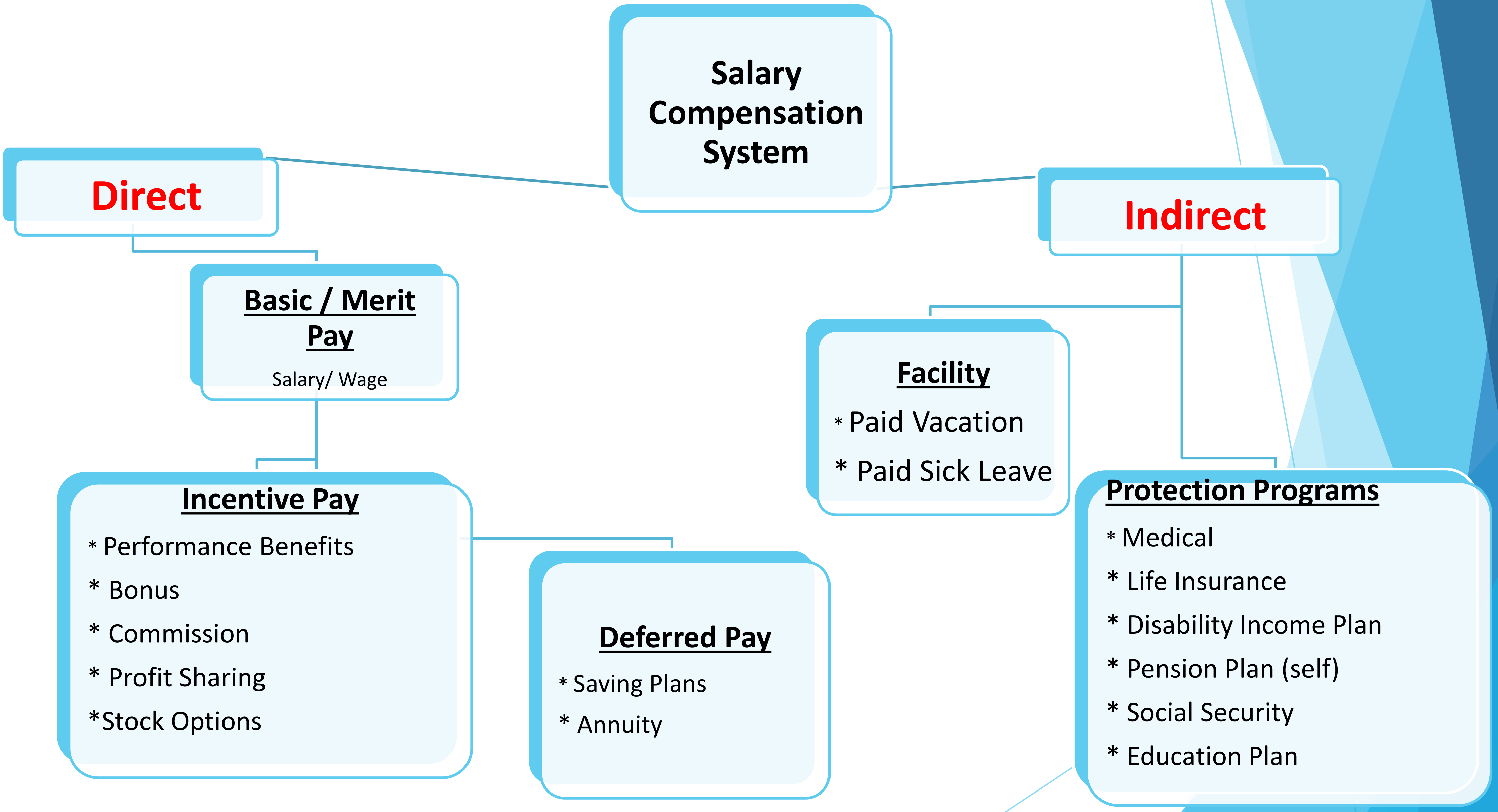
- The key to an effective AML/CFT system is a good understanding of risk. Each DNFBP must assess and document its risks by looking at its customers, business types, delivery channels and geographic exposure, and keep this understanding up to date. This allows for resources to be targeted towards those areas that present the greatest risk for money laundering and terrorist financing abuse, in order to mitigate these risks

- **Each DNFBP sector has a dedicated supervisor or set of supervisors to monitor and encourage compliance with AML/CFT obligations. This includes compliance inspections to assess how well DNFBPs are meeting their AML/CFT obligations.**

Who can file online Income Tax Return

1. Taxpayer	himself
2. Representative	u/s 172
3. E-Intermediary	Auth. Rep. u/s 223

Salary Composition



Salary According to FBR

(Section 12, 13 & 14)

1. **Any Pay**, Wages or Other Remuneration including Leave pay, Overtime, Bonus, Commission, Fees, Gratuity, Provident fund, Termination compensation.
2. **Work condition** supplements (Unpleasant, dangerous working condition),
3. **Any Perquisite** (Whether convertible to money or not), Allowances, Arrears
4. **Expenditure** incurred by an employee incidental to Job

Gratuity	In Pakistan Gratuity is one of three prevalent retirement benefits in the private sector employment. The other two are “Pensions and Provident Fund”. It is a “lump-sum” amount of money payable to a worker on leaving service. A gratuity fund is a part of the salary an employee receives from his/her employer in gratitude for the work the employee does for the company. It is a mark of recognition to the employee's service. Federal Board of Revenue (FBR) has said that gratuity received by an employee during his lifetime shall be treated as salary income and will be subject to tax under Income Tax Ordinance, 2001 [**Approved Gratuity Funds – Part-III, Sixth Schedule**]
Provident Fund	The lump sum payment the employees receive at the time of retirement for which both (employer and the employee) make the contribution. [**Recognized Provident Funds Part-I, Sixth Schedule**]
Superannuation Fund	A Regular payment made into a fund by an employee towards a future pension. "a superannuation fund" a pension paid to a retired employee who has contributed to a fund. "had he agreed to resign, he would have been entitled to his superannuation for 29 years' service" [**Approved Superannuation Funds – Part-II, Sixth Schedule**]
Pension	Pension is a regular payment made by the state to people after their official retirement, to widows, and disabled people. It is a deferred wages of people's services in the past. [**The Second Schedule – Exemption & Tax Concessions**]

SMALL AND MEDIUM ENTERPRISES - Sec 100E (Fourteenth Schedule)

1. **Application**.- These rules shall apply to small and medium enterprises as defined in Clause (59A) of Section 2 of the Ordinance

2. **Registration**.- Small and medium enterprise shall be required to register with FBR on its Iris web portal or Small and Medium Enterprises Development Authority on its SME registration portal (SMERP).

3. **Categories and Tax Rates**.- There shall be following two categories of small and medium enterprises and tax on their taxable income shall be computed at the tax rates given in the table below, namely

S.No	Category	Turnover	Rates
1	Category-1	Where annual business turnover does not exceed Rupees 100 million	7.5% of taxable income
2	Category-2	Where annual TO exceeds Rs100 Mn but does not exceed Rs 250 Mn	15% of taxable income

4. **Option for Final Tax Regime.**- (1) The small and medium enterprises may opt for taxation under final tax regime at the rates given in the table below

4(2) Option under sub-rule (1) of this rule shall be exercised at the time of filing of return of income and option once exercised shall be irrevocable for three tax years

4(3) The provisions of section 177 and 214C shall not apply to SME who opts for taxation under sub-rule (1) of this rule

S.No	Category	Turnover	Rates
1	Category-1	Where annual business turnover does not exceed Rupees 100 million	0.25% of Gross Turnover
2	Category-2	Where annual TO exceeds Rs100 Mn but does not exceed Rs 250 Mn	0.5% of Gross Turnover

FORMs - Under The Sindh Land Tax & Agricultural Income Tax Rules 2001
(Sindh Ordinance No XII of 2000)

FORM-A [see Rule 7(1)]	**Form Of Return Of Total Agricultural Income (Exempted in FBR if Paid at Provincial level)**
Form-A Part-I	Statement of Total Agricultural Income During the Income Year ended on ________
Form-A Part – II	Computation Of Tax
FORM-B	Acknowledgement
FORM-C	Register of Returns In Form-A In Respect Of Assessment Year____ Received
FORM-D	Notice Of Demand Under Rule-19 of The Sindh Agricultural Income Tax Rules 2001
FORM-D1	Notice of Demand Under Rule-19 of The Sindh Land Tax & Agricultural Income Tax Rules 2001
FORM-E	Application For Refund of The Tax Under The Sindh Tax & Agricultural Income Tax Rules 2001
FORM-F	Agricultural Income Tax Demand & Recovery Register

Profit Rates in National Savings Schemes w.e.f 20.12.2022

1	DEFENCE SAVINGS CERTIFICATES - DSC (10 yrs)			
	Year	Value	Year	Value
	1	108,000	6	175,000
	2	117,000	7	200,000
	3	127,000	8	230,000
	4	139,000	9	268,000
	5	155,000	10	318,000
	Subject to deduction of WHT and Zakat as per rules.			

2	SPECIAL SAVINGS CERTIFICATES - SSC (3 yrs)		
	Profit No. 1 to 5	13.00% per annum	Rs. 6,500 per Rs. 100,000 (per 6 Months)
	Profit No. 6 (Last)	13.60% per annum	Rs. 6,800 per Rs. 100,000 (per 6 Months)
	Average Rate 13.10%		
	Subject to deduction of WHT and Zakat as per rules.		

3	REGULAR INCOME CERTIFICATES - RIC (5 yrs)	
	12.36% per annum	Rs. 1,030 per Rs. 100,000 (per Month)
	Subject to deduction of WHT as per rules.	

4	BEHBOOD SAVINGS CERTIFICATES - BSC (10 yrs)	
	13.92% per annum	Rs. 1,160 per Rs. 100,000 (per Month)

5	SHORT TERM SAVINGS CERTIFICATES - STSC		
	3 Months	14.80% per annum	Rs. 3,700 per Rs. 100,000
	6 Months	14.86% per annum	Rs. 7,430 per Rs. 100,000
	1 Year	14.90% per annum	Rs. 14,900 per Rs. 100,000
	Subject to deduction of WHT as per rules.		

6	PENSIONERS BENEFIT ACCOUNT - PBA (10 yrs)	
	13.92% per annum	Rs. 1,160 per Rs. 100,000 (per Month)

7	SAVINGS ACCOUNTS - SA	
	14.50% per annum (↑)	Rs. 14,500 per Rs. 100,000 (per Year)
	Subject to deduction of WHT and Zakat as per rules.	

8	SPECIAL SAVINGS ACCOUNTS - SSA (3 yrs)		
	Profit No. 1 to 5	13.00% per annum	Rs. 6,500 per Rs. 100,000 (per 6 Months)
	Profit No. 6 (Last)	13.60% per annum	Rs. 6,800 per Rs. 100,000 (per 6 Months)
	Average Rate 13.10%		
	Subject to deduction of WHT and Zakat as per rules.		

9	SHUHADA'S FAMILY WELFARE ACCOUNT - SFWA (10 yrs)	
	13.92% per annum	Rs. 1,160 per Rs. 100,000 (per Month)

Withholding Tax Rates	
FILER	NON-FILER
15%	30%

Zakat Rate
2.50%

Company Act 2017

Securities And Exchange Commission Of Pakistan (SECP) Act 1997

COMPANY ACT 2017

For Corporate Legislation The Company Act 2017 was enforced from 30th May 2017. The Act has Thirteen Parts, 515 Sections and Eight Schedules. The Pertinent difference between repealed Ordinance and New Act can be summarized as:

(i) The **Companies Act 2017** reduces the discretionary powers of the Security Exchange Commission of **Pakistan** (SECP) to a large extent.

(ii) The **Companies Act 2017** provides completely new responsibilities to the SECP, including (a) Authentication of the Sharia sector(b) Certification of Real Estate, and (c) Approval of Companies' Merger

(iii) However The Act enhances SECP authority in relation to (a) Investigation and related matters

(b) Disqualification of Directors (c) The Power to Call for Information (d) Mediation (e) Compromises (f) Arbitration (g) General Administration

(iv) The Act is in accordance with the International Standards on Auditing and International Financial Reporting Standards (IFRS)

(v) The Act enforces additional disclosure requirements in Fourth & Fifth Schedule beyond the requirements of IFRS

(vi) The Act simplified (a) Lot of filling (b) Registration (c) Winding up requirements.

(vii) The approach in Act is towards Automation and e-filling

(Viii) The Act particularly provides benefit to Single Member Company (SMC), LLP and for the companies having limited Capital

Difference Between

1. Limited Company: The words "Private **Limited**" or "Public **Limited**" are added at the end of the name. These are sometimes known as **limited liability companies** (LLC) or corporations in other countries **benefits includes** Separate Legal Entity, Uninterrupted existence, Limited Liability, Free & Easy transferability of shares, Owning Property, Capacity to sue and be sued, Borrowing Capacity. Private limited company have at least Two Directors and Max 50 directors. At leat Three **directors** for an unlisted Public **company** and Seven **directors** and a **company** secretary for a public listed **company**.

2. SMC Company: Single Member **Company** (**SMC**) A Single Member **Company** or **SMC** is a **business** that is set up as separate legal entity from its owner and has only one shareholder.

3. Limited Liability Partnership (LLP) **:**Any two or more persons, associated for carrying on a lawful business with a view to profit, may form an LLP after registration with the Commission as per the Limited Liability Partnership Act, and the Limited Liability Partnership Regulations, 2018. It is imperative to understand that, any existing partnership business or a Private Limited Company, can also get its status transferred to an LLP, subject to the minimum compliance requirement.

4. Partnership Under Act of 1932: *Partnership is suitable for medium-size undertakings, where personal efforts of the owners are essential. Besides sole proprietorship partnership is another popular form of business organization. The term partnership literally means, 'an association of two or more people as partners'. Thus, partnership is a form of business which involves sharing of the rights to own, manage and control business among two or more persons. It possesses some of the characteristics of the individual proprietorship organization, and consequently most of its advantages and limitations.*
Advantages are Ease of Formation 2. Financial Resources 3. Talent can be Pooled 4. Flexibility 5. Reward for Effort 6. Informed, Balanced and Careful Decisions 7. Secrecy

Disadvantages Unlimited Liability 2. Limited Resources 3. Conflicts 4. Uncertain Future 5. Transferability of Interest 6. Public Interest 7. Not a Legal Entity

BUSINESSES SUITABLE FOR AN LLP:

LLP can be a suitable business platform for businesses belonging to manufacturing and services sectors. However, services Sector LLP can be a lifeline for the services sector and especially for professionals like charted accountants, company secretaries and advocates. short, LLP can be formed to do any type of business such as manufacturing, trading, commercial or professional services with the object to earn profits. However, an LLP cannot be formed for charitable purpose because it is designed for mutual benefit and profit earning through commercial purpose, whereas charitable organizations are formed for welfare objects.

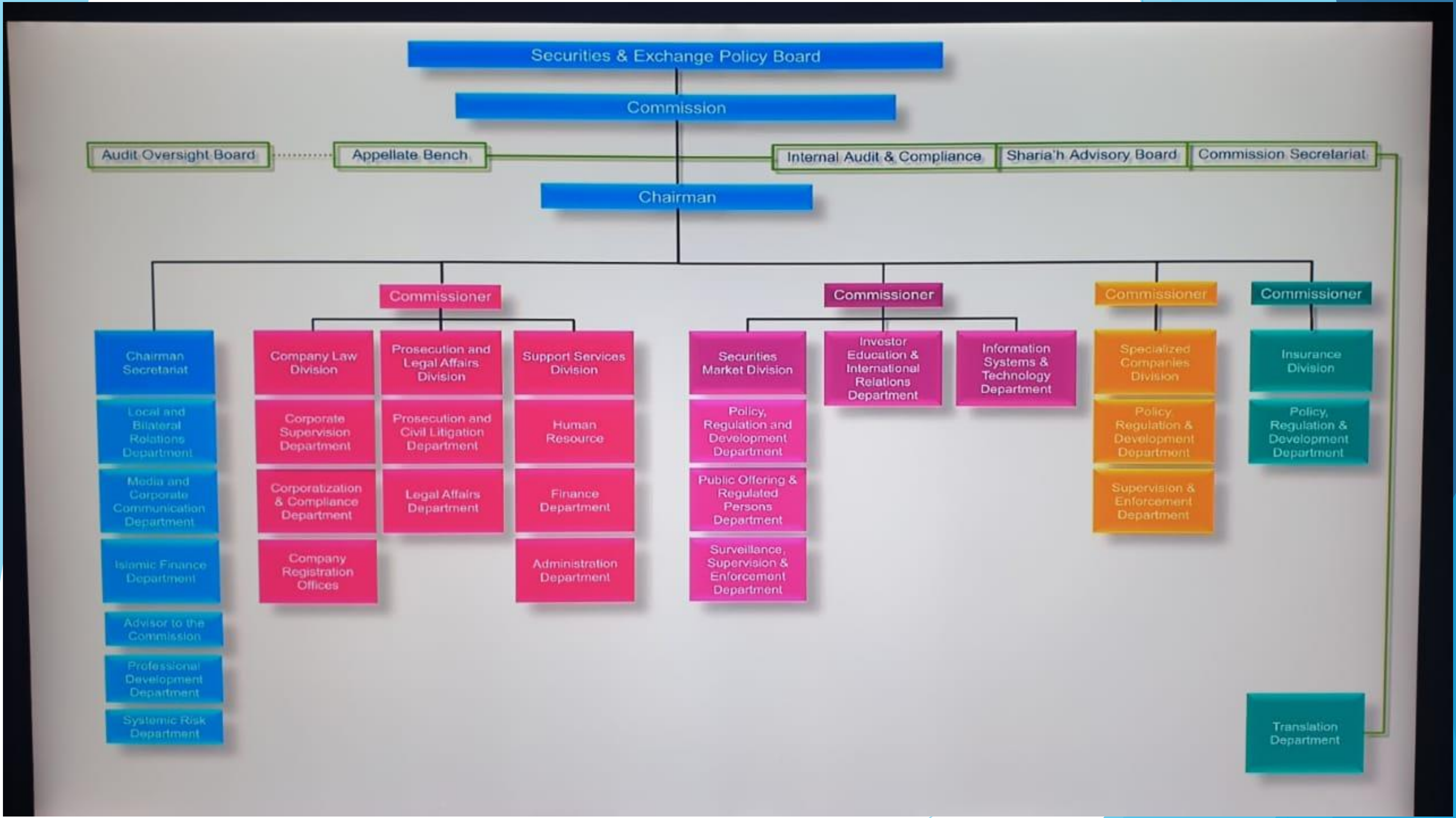
Key Comparison between an LLP and General Partnership

Particulars	LLP	General Partnership
Liability	Partners have Limited Liability because they can bind LLP with their act but not to other partners. Liability of partners is limited up to their capital contribution however in case a partners acts with an intension to conduct fraud, they are personally liable.	Partners have unlimited liability hence they remain liable for unlawful acts of other partners.
Legal Entity	LLP is separate legal entity from its partners. Partnership is not a separate from its members.	Partners are collectively referred as firm.
Perpetual succession	LLP has perpetual succession irrespective of death or retirement of either of partner.	Partnership can be dissolved on death or retirement.
Maximum Partners	No limit on no. of partners.	Maximum number of partners 20.
Property	Property, assets, liabilities, rights, privileges and obligations can be owned by LLP as it enjoy separate legal existence apart from its partners.	Property cannot be held in firm name.

Securities And Exchange Commission Of Pakistan (SECP)

- **The Securities and Exchange Commission of Pakistan (SECP) is the financial regulatory agency in Pakistan whose objective is to develop a modern and efficient corporate sector and a capital market based on sound authority principles, in order to encourage investment and foster economic growth and prosperity in Pakistan.**

- **SECP Act 1997 was enacted on 26th December 1997**
- SECP is the Official Regulator Of Financial Services In Pakistan except Banking Sector which is regulated by State Bank Of Pakistan
- SECP Regulates (i) Corporate Sector (ii) Capital Market (iii) Insurance Company (iv) Non Banking Finance Companies (v) Private Pension Schemes
- SECP oversees External Providers (i) Chartered Accountants (ii) Credit Rating Agencies (iii) Corporate Secretaries (iv) Brokers (v) Surveyors etc
- SECP has resources like Bankers, Accountants, Lawyers and Other Finance & Corporate Executives
- SECP Policy Board after 2016 consists of 11 Members , 5 from Public Sector & 6 From Private Sector
- Five Public Sector Members of SECP (i) Ex-Officio secretary Finance Division (ii) Law Division (iii) Commerce Division (iv) Chairman of Commission (v) Deputy Governor State Bank Of Pakistan
- Six Private Sector Members of SECP are appointed by Federal Government who are well-known and experts


Securities & Exchange Policy Board
Commission
Audit Oversight Board
Appellate Bench
Internal Audit & Compliance
Sharia'h Advisory Board
Commission Secretariat
Chairman
Commissioner
Commissioner
Commissioner
Commissioner
Chairman Secretariat
Local and Bilateral Relations Department
Media and Corporate Communication Department
Islamic Finance Department
Advisor to the Commission
Professional Development Department
Systemic Risk Department
Company Law Division
Corporate Supervision Department
Corporatization & Compliance Department
Company Registration Offices
Prosecution and Legal Affairs Division
Prosecution and Civil Litigation Department
Legal Affairs Department
Support Services Division
Human Resource
Finance Department
Administration Department
Securities Market Division
Policy, Regulation and Development Department
Public Offering & Regulated Persons Department
Surveillance, Supervision & Enforcement Department
Investor Education & International Relations Department
Information Systems & Technology Department
Specialized Companies Division
Policy, Regulation & Development Department
Supervision & Enforcement Department
Insurance Division
Policy, Regulation & Development Department
Translation Department

Securities And Exchange Commission Of Pakistan (SECP)

SECP Board Approves its Annual Budget, Formulates Policies, Advises the Government, Gives Opinion & recommendations

There are Five Commissioners including Chairman

- Chairman/ who is also the CEO
  - (i) Provides Assistance and advice on Various day to day issues
  - (ii) Provides Input in finalizing New Laws, Amendments to existing laws, Rules & regulations
- Commissioner – Corporate Sector
- Commissioner – Capital Market
- Commissioner – Specialized Companies Such as Non-Bank Finance Companies
- Commissioner – Insurance Sector

Securities And Exchange Commission Of Pakistan (SECP)

Commissioner- Corporate Sector						
Company Law Division		**Prosecution & Legal Affairs Division**		**Adjudication Division**		**Support Services Division**
Corporate Supervision Department		Prosecution & Civil Litigation Department		Adjudication Department-I		Human Resource & Training Department
Corporatization & Compliance Department		Legal Affairs Department		Adjudication Department -II		Finance Department
Company Registration Offices				Adjudication Advisory & Litigation Department		Administration Department

SECP Forms

SECP Form 16: This form is used for the particulars of modification of mortgage, charge, etc.

SECP Form 17: This form is used for the memorandum of complete satisfaction of mortgage, charge, etc.

SECP Form 18: This form is used for the notice of appointment of receiver or manager

SECP Form 19: This form is used for the notice to be given by receiver or manager on ceasing to act as such

SECP Form 20: This form is used for the receiver or manager’s abstract of receipts and payments

SECP Form 21: This form is used for the notice of situation of registered office or any change therein

SECP Form 22: This form is used for the declaration with the compliance with the conditions of section 146 of the companies ordinance 1984, before commencing business in case of a company issuing prospectuses

SECP Form 23: This form is used for the declaration before commencing business in case of a company filing statement in lieu of prospectus

SECP Form 24: This form is used for the notice of rectification of register of members

SECP Form 25: This form is used for the statutory report

SECP Form 26: This form is used for the special resolution

SECP Form 27: This form is used for the list of persons consenting to act as directors

SECP Form 28: This form is used for the consent to act as director or chief executive

SECP Form 29: This form is used for the particulars of directors and officers, including the chief executive, managing agent, secretary, chief accountant, auditors and legal adviser or of any change therein

SECP Form 30: This form is used for the resolution passed by members pursuant to section 208

SECP Form 31: This form is used for the return containing particulars of beneficial owner ship of listed securities

SECP Form 32: This form is used for the return of change of beneficial ownership of listed securities and making of gains

SECP Form 33: This form is used for the notice of address at which books of accounts are maintained

SECP Form 34: This form is used for the pattern of shareholding.

SECP Form 35: This form is used for the application for extension in period for payment of dividend

SECP Forms

SECP Form A: This form is used for the annual return of company having share capital

SECP Form B: This form is used for the annual return of company **not** having share capital

SECP Form S1: This form is used for the notice of nomination of nominee director by single member of a single member company

SECP Form S2: This form is used for the notice to change of status of a single member company into a private company

SECP Form S3: This form is used for the notice of death of single member

SECP Form S4: This form is used for the application to the securities and exchange commission of Pakistan for the approval of change of status of a private company into a single member company

SECP Form S5: This form is used for the notice for change of status of private company into single member company

SECP Form S6: This form is used for the certificate on change of status of a private company into a single member company

SECP Form S7: This form is used for the certificate on change of status of a single member company into a private company

SECP Form S8: These are the regulations for management of a single member private company limited by shares

International

Tax Structure

&

Monitoring

ESTONIA – For The Seventh Year In a row The Best Tax Code in OECD

The Top score is driven by Four Positive Features of its Tax System

1) It has a 20 % Tax rate on corporate Income that is only applied to distributed profits
2) It has a flat 20% Tax rate on Individual Income that does not apply to personal Dividend Income
3) Its Property Tax applies only to the value of land, rather than to the value of Real Property OR Capital
4) Fourth is It has a Territorial Tax System that exempts 100% of foreign profits earned by domestic corporation from domestic taxation, with few restrictions.

Sound Tax System

The Principles of a sound Tax System is based on:

1) Fiscal Adequacy
2) Administrative Feasibility
3) Theoretical Justice
4) The “ability-to-pay” principle &
5) The “Benefit” Principle

The Fiscal adequacy means the sources of revenue must be Sufficient to meet government expenditures and other Public needs. The Taxes should be based on the Individual's ability to pay. There should be some equivalence between what the individual pays and what benefits he subsequently receives from government.

The Elements of Taxation considered established when taxpayers and elements of taxation have been identified, namely

1) The Object of Taxation
2) Basis Of Tax levied
3) Tax Period
4) Tax Rate
5) Tax Calculation Procedure and Terms of Tax payment

Sound Tax System

Globally the **Characteristics of an Effective Tax System** include. **FIVE** basic conditions:

1) **Fairness**
2) **Adequacy**
3) **Simplicity**
4) **Transparency &**
5) **Administrative Ease.**

Although opinions about what makes a good tax system will vary, there is general consensus that these five basic conditions should be maximized to the greatest extent possible.

Only a sound Tax System can Finance Public Services. The general public should be taxed according to their ability to pay which in turn will depend upon their income and family circumstances. A sound tax system should safeguard the interest of the taxpayers and simultaneously generate revenue enabling government to function.

The implementation of **(1) Direct Taxes** and **(2) Indirect Taxes** differs:

Direct Tax is referred to as the Tax which is paid by the person to the government to whom it is levied, charged on the income and wealth of person. The person on whom it is levied bears the burden. However Tax Evasion is possible, Direct tax is **Progressive** it helps in reducing inflation, Income tax, Wealth tax, Property tax, Corporate tax are few examples.

Whereas Indirect Tax is referred to as the tax which is paid by Third Person on behalf of Taxpayer to the government that is it is charged indirectly on Goods and Services. The burden of tax is passed on, shifted, and finally the End Consumer bears the burden, however Tax evasion is hardly possible because it is included in the price of Goods & Services, Indirect tax is **Regressive** in nature and cause inflation Sales tax, VAT, Excise duty, Custom duties are few examples

Sound Tax System

As far as The ***International Tax Competitiveness Index*** (***ITCI***) is concern it seeks to measure the extent to which a country's Tax system adheres to important aspects of

(a) Tax Policy Competitiveness &

(b) Neutrality.

COMPARISON OF TAX SYSTEM

The USA's Tax systems fall into three main categories: (a) Regressive, (b) Proportional & (c) Progressive. Two of these systems differently impact high-and low-Income earners.

Historical USA's favorite is the **Progressive Tax** it has Tiered Tax Rates that charge higher income individuals higher percentages of their income and offer the lowest rates to those with the lowest incomes. Regarding Flat Tax plans generally they are assign one tax rate to all taxpayers.

The UK's Tax System: In 2020 International Tax Competitiveness Index's measure of personal Income Taxation UK Ranks 24th among OECD countries. Knowing how the UK system works what taxes can be charged and what deductions and allowances are available as well as the Tax effect of alternative course of action will help taxpayers cope with his responsibilities and make sure that all relevant tax reliefs and allowances are obtained.

HMRC (Her Majesty's Revenue and Customs) a non-ministerial department of the UK Government is responsible for the collection of taxes, the administration of other Regulatory Regimes including the National Minimum Wage and the issuance of National Insurance numbers. HMRC is UK's tax, payments and customs authority. They collect the money that pays for the UK's public services and help families and individuals with targeted financial support, impartial with effective and efficient administration In fact they handle day-to-day matters e.g. Income-Tax, Capital-Gain-Tax, Corporation-Tax, Inheritance-Tax, Value-Added-Tax, Stamp-Tax, Council-Tax, Business-Rates, National Insurance Contribution & Statutory Sick Pay, Statutory Maternity Pay, Adoption & Paternity Pay, Shared Parental Pay however general laws as opposed to tax laws are not always the same in Scotland and in Northern Ireland as in England and Wales

Sound Tax System

HMRC is allowed to disclose information to the police in UK and abroad in connection with criminal investigation and also to the intelligence service. Information is also available to government departments as a result of the money laundering regulations.

EU Countries: Their tax laws must comply with the regulations and directives of European Commission. EU member states must allow members of other EU states freedom of establishment and cannot charge higher tax.

They can recover both Direct and Indirect Taxes owed in the first state. EU member states must also be compatible with **European Convention on Human Rights** and **Human Rights Act 1998**.

Some Tax legislation applies not only to EU members but is extended to include members of the **European Economic Area (EEA)** which includes Iceland, Liechtenstein and Norway along with EU Members. 0

Measuring a Common Metric is **Total Tax Revenues per GDP** (also known as Tax Burden). **Other metric is Tax Revenues per Population**. For both some interesting trends can be observed. For the past 20 years the average tax burden for **OECD countries** **was about 33.3%** ranging between 32 and 34% with no significant increases or decreases. Countries like Germany and France are collecting between 34 and 46 percent of GDP in tax revenues. Mexico's tax burden is at the bottom with only 11.0 percent. The United States' tax burden decreased from 27.9% in 1998 to 24.3% in 2019. The overall Per capita taxes increased for all countries in the past 20 years.

TAX MIX addresses both taxpayer and tax base. As percent of total tax revenues the United States, Canada, Switzerland, and Australia rely heavily on Income Taxes with averages of 46, 45, 47, and 57 percent respectively. For other taxes, such as Social Security & Payroll, Property, and Consumption, there is also quite a significant variation among countries. Since income taxes are likely the more "Progressive" than others. This is important when considering that policy makers like to use the tax system for redistributive purposes.

In recent years a major issue arises between United States and EU Countries. **The Corporate Income Tax, The Tax Cuts and Jobs Act (TCJA)** which reduces the Corporate tax rates in the United States from 35% to 21% and introduced some provisions that should increase repatriation of foreign earnings whereas European Union is emphasizing on **The Common Consolidated Corporate Tax Base (CCCTB)** whose purpose is to discourage corporate tax dodging.

Sound Tax System

RANKING OF 2021 IS AS FOLLOWS:

(1) **Estonia**	(2) **Latvia**	(3) **New Zealand**	(4) **Switzerland**	(5) **Luxembourg**	(6)**Lithuania**
(7) **Sweden**	(8) **Czech Republic**	(9) **Australia**	(10) **Slovak Republic**	(11) **Turkey**	(12) **Austria**
(13) **Norway**	(14) **Hungary**	(15) **Germany**	(16) **Finland**	(17) **Netherlands**	(18) **Canaa**
(19) **Belgium**	(20) **Ireland**	(21) **United States**	(22) **United Kingdom**	(23) **Slovenia**	(24) **Korea**
(25) **Israel**	(26) **Japan**	(27) **Spain**	(28) **Denmark**	(29) **Greece**	(30) **Iceland**
(31) **Mexico**	(32) **France**	(33) **Portugal**	(34) **Poland**	(35) **Chile**	(36) **Italy**

For the seventh year in a row ESTONIA has the Best Tax Code as per OECD ranking.

Its top score is driven by FOUR POSITIVE FEATURES of its tax system.

1) **It has a 20 percent tax rate on corporate income that is only applied to distributed profits.**
2) **It has a flat 20 percent tax on Individual Income that does not apply to personal Dividend Income.**
3) **Its Property Tax applies only to the value of land, rather than to the value of Real Property OR Capital.0**
4) **Fourth and Finally, It has a Territorial Tax System that exempts 100 percent of foreign profits earned by domestic corporations from domestic taxation, with few restrictions.**

Sound Tax System

<u>*International Tax Competitiveness Index* Rankings -2020</u>

The Index (**ITCI**) measures the degree to which the OECD countries' tax systems promote competitiveness through low tax burdens on business investment and Neutrality through a well-structured tax code. The Index relied on more than forty variables across five categories:

1) **Corporate Taxes,**
2) **Consumption Taxes,**
3) **Property Taxes,**
4) **Individual Taxes &**
5) **International Tax Rules.**

The Index not only display which country provide best tax environment for investment but also the best tax environment in which to start and grow a business.

Thank You