

PROPOSALS OF ISLAMABAD CHAMBER OF COMMERCE & INDUSTRY FOR BUDGET 2014-15

Enactment	Section/Schedule Ref./PCT Code	Existing Law	Proposed Amendment	Significant changes desired	Financial impact
(1)	(2)	(3)	(4)	(5)	(6)
New Enactment	Business Registration Authority	<p>There exist three types of business entities in Pakistan viz.</p> <p>Individuals: These are normally small traders and shopkeepers. There is no restriction on them to carry out business activities and to register their business with any of the Govt. Agency. A few of them have obtained NTN for the purpose of Tax Filing.</p> <p>Partnerships, Normally local District Registrar of Firms register such businesses and most of them are unregistered. All may not be registered with FBR.</p> <p>Companies: This is a documented sector but numbers are very small due to non-corporate culture.</p>	Government should establish a single Business Registration Authority to have complete data base of business entities	A single business registration authority may be established or this task may be given to NADRA to have single database for registration of every business entity. Further, there should be annual renewal requirement for every business irrespective of its status and such renewal must be subject to basic tax compliances like filing of Annual Income Tax Return.	Increase in Tax Base and Tax Filers
General	Immunity and Incentive Schemes for the existing tax payers	Government announces tax incentives scheme for non-taxpayers but there is hardly any tax incentive scheme for regular taxpayers, rather taxpayers are harassed on old pending tax issues which remain shuffling between appeal courts, high courts.		Huge tax revenues can be collected through settling old tax issues through tax incentive scheme on the pending cases. By settling old tax cases, businessmen can further enhance investments in Pakistan which will result in generation of more business activities, jobs and tax revenues for the Government.	Facilitation of existing taxpayers and increase in tax revenue.
Income Tax Ordinance,	Section 177, Section 214C	It has been observed that tax authorities, while finalizing audit proceedings or		Proper audit procedure be adopted and audit	No Financial Impact, but

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2001	Section 122	amendments, make unjustified additions to the income of a taxpayer enhancing his tax liability. However, such additions are reversed after going through appellate process. The whole exercise creates problems both for the taxpayers and the department. Therefore, such actions should be avoided. Commissioner is also empowered to select the case for audit under section 177		proceedings should be conducted by expert staff. Once a taxpayer is audited, he may be excluded from selection for audit for the next five years if he pays higher tax than the previous years. The power of Commissioner should be curtailed as the computerized mechanism of selection is better.	Facilitation of Tax Payers. Curtailing discretionary powers of Tax Officers will control the unscrupulous practices
Income Tax Ordinance, 2001	Section 138	Currently if any undue demand of tax is created, the recovery proceedings are initiated by the Tax Department including attachment of Bank Accounts, which creates harassment in taxpayers		Recovery proceedings may not be initiated if a taxpayers has filed an appeal before the Commissioner Appeal IR. Recovery Procedure may be made lenient to remove the element of harassment taxpayers	Facilitation of taxpayers
Income Tax Ordinance, 2001	1st Schedule	The average rate of tax in the region is less than 23% on the corporate income whereas in Pakistan due to multiplicity of taxes it goes up-to 42% (34% normal tax + 2% Workers' Welfare Fund + 5% Workers' Participation Fund). Pakistan should also revise its high corporate tax rate to bring it at par with the rate of our competitors.	Last year rate was reduced to 34%, it is proposed to reduced it by 1% each year and bring it to 25%	Bringing down corporate tax rate will encourage more investment and manufacturing activities.	Encouragement of investment, manufacturing activities and increase in tax revenue
Income Tax Ordinance, 2001	113	Minimum Tax 1%	Be brought down to 0.5%	As minimum tax @1% of turnover is too high. Although the reduced rate is available for high turnover with low margin, but for others 0.5% is rationale rate.	No significant financial impact, but facilitation of taxpayers

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Income Tax Ordinance, 2001	Section 153	<p>Withholding Agents</p> <p>Last year every sales tax registered person was made withholding agent regardless of quantum of turnover to collect tax on payment of goods, services and contracts</p>	Sales tax registered persons be removed from the definition of prescribed person.	There are small traders who are registered for sales tax purpose just to secure business from Public and Private Sector Organizations but their turnover is very low.	
Income Tax Ordinance, 2001	Section 15 Section 115	Tax on rental income was initially 5% and final liability thus encouraged individuals to pay the tax honestly and collection was increased manifold. Gradually it was increased up to 15% and taxed as separate block of income. Through finance Act 2013, the tax on rental income has been brought under the Normal Regime and income would be taxed up to 25% and it would also be clubbed with other sources of income.	Previous provisions prevailing before 30 th June 2013 may be restored.	Bringing the rental income in normal regime will encourage tax evasion. Therefore the tax rate may be decreased and brought in final tax regime.	It will facilitate taxpayers and discourage tax evasion.
	Section 114	Approval of the Commissioner IR is required for Revision of Annual Income Tax Return.	Only in case of decrease in tax liability, the approval may be made mandatory	It becomes difficult to get approvals in such cases. If a small error or mistake is found in the annual income tax return, the approval of the commissioner should not be made necessary. Only in case of decrease in tax liability, the approval may be made mandatory	
Income Tax Ordinance, 2001	2 nd Schedule Part 1 Clause 58A	Exemption from total income has been given to many organizations specially public sector universities or non-profit organizations.	Exemption clause for the income of universities may be removed	The universities charge heavy fee from students and are able to pay income tax. All the universities should be brought into the tax net.	Increase in Tax Revenue

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Income Tax Ordinance 2001, Sales Tax Act 1990, Federal Excise Act 2005	Directorate General Intelligence	A Directorate General Intelligence has been established by FBR which has unlimited powers including raids.		Powers of Directorate General Intelligence be curtailed. Its functions should be to highlight the tax evasions and then taxpayers may be served proper show cause notices and normal proceedings may be adopted.	Reduction in undue harassment & trust deficit as well as improvement in tax revenue.
Income Support Levy Act, 2013		Last year through Finance Act 2013, 0.5 percent levy has been imposed on persons with net moveable wealth exceeding Rs.1 million.	It may be removed	It will cause hardship for the individuals and it is taxing the already taxed income of the taxpayers	Taxpayers facilitation
Sales Tax Act 1990	Section 3	Rate of Sales Tax is 17%	It may be brought down to to single digit	Implementation be ensured to bring undocumented sector into tax net	Minimization of tax evasion, improvement in tax collection and enhancement of direct taxation.
Sales Tax Act 1990		Currently, if any undue demand of tax is created, the recovery proceedings are initiated by the Tax Department including attachment of Bank Accounts.		Recovery proceedings may not be initiated if a taxpayer has filed an appeal before the Commissioner Appeal IR. Recovery Procedure may be made lenient.	Elimination of element of harassment in taxpayers
Sales Tax Act 1990	40B	FBR or Chief Commissioners authorized to post Inland Revenue Officer at the premises of registered persons or class of such persons to monitor production, sale of taxable goods and the stock position etc.	Normal mechanism be adopted if department realizes that proper tax is not being paid	Undue harassment among the taxpayers be eliminated.	Elimination of undue harassment in taxpayers and Increase in tax revenue
Federal Excise Act, 2005		Currently, if any undue demand of tax is created, then without recovery notices, the		Recovery proceedings may not be initiated if a taxpayer	Taxpayers facilitation

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		Tax Department writes to banks of the taxpayers for attachment of Bank Accounts.		has filed an appeal before the Commissioner Appeal IR. Recovery Procedure may be made lenient.	
Customs Act 1969	48.02	Import duty on printing paper is 20%	Duty may be reduced to 0%	To promote the local printing industry, the duty on printing paper may be reduced.	Availability of books at affordable costs, growth of printing industry, more business activities, employment and increase in tax revenue.

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Notes:

1. Each of the proposals must be filled in single sheet.
2. Proposals must be submitted by 27-02-2014.
3. In Column (1) relevant is required to be filled e.g. Income Tax Ordinance, Sales Tax Act, Federal Excise Act etc.
4. In Column (2) requires disclosing relevant section of enactment including sub-section, entry of schedule and / or PCT Code, wherever applicable.
5. In Column (3) imprint existing provisions If Law
6. In column (4) requires amended version of Law
7. In Column (5) disclose synopsis of significant amendment desired with reasons and
8. In Column (6) estimated financial impact of proposed amendment

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Income Tax Ordinance, 2001		Withholding tax rate on imported steel scrap is 1% which is adjustable but on purchase of local steel scrap the rate is 4%, which is non-adjustable. This anomaly is badly affecting the business of steel furnaces causing closure of almost 35% of such furnaces.	Uniform adjustable WHT on both import stage and on local purchase	1% adjustable WHT on both import stage and local purchase may be enforced or WHT may be charged on electric bills just as sales tax is being charged. Detail is at Annex-A	It will save the steel industry from further damage and generate more industrial activities and revenue
Income Tax Ordinance, 2001	Section 153	Oil tankers were exempted from levy of Sec-153 in 2009, but Goods Transport carriers were given this facility in 2013 www.imranghazi.com	Exemption to oil tankers and goods transporters from same year	Oil tankers and goods transporters are providing same services and exemption to both may be provided from same year i.e. FY 2009 Detail is at Annex-A	