

TAX ADVISORY COUNCIL
BUDGET PROPOSALS 2014-15

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TAX ADVISORY COUNCIL

- Federal Board of Revenue, notified Tax Advisory Council and its functions. The Council encompasses all stakeholders including chartered accountants, academia, senior tax consultants, retired senior officers of Customs & IRS, Industrialists, Presidents of FPCCI and four provincial CCIs.

MEMBERS OF TAC

- Dr. Ali Cheema, Lahore University of Management Sciences
- Dr. Kazi Masud Ahmed, Professor/ Director Centre for Business & Economic Research IBA, Karachi.
- Syed Yawar Ali, Nestle Pakistan Ltd, Lahore
- Mr. Bashir Ali Muhammad, Gul Ahmed Textile, Karachi
- Mr. S. M. Munir, Din Group, Karachi
- Mr. Mohsin Aziz, Former Chairman APTMA, Peshawar.
- Mr. Asim Zulfiqar, CA, Lahore
- Mr. Ishfaq Tola, CA, Karachi
- Mr. Abid Shaban, Advocate
- Mr. Akhtar Ali Naeem, Advocate

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MEMBERS OF TAC

- Mr. Irfan Nadeem, Former Member, FBR/Former Federal Secretary
- Dr. Manzoor Ahmad, Former Member, Customs FBR
- Mr. Khalid Aziz Banth, Former Member (Operations) FBR
- Mr. Habib Fakharuddin, Former Member, FBR
- President, FPCCI, Karachi
- President Karachi Chamber of Commerce & Industry
- President Lahore Chamber of Commerce & Industry
- President Islamabad Chamber of Commerce & Industry

MEMBERS OF TAC

- President KPK Chamber of Commerce & Industry
- President, Quetta Chamber of Commerce & Industry
- Chairman Pakistan Business Council.
- Secretary General OICCI, Pakistan.

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Principles: Budget 2014-15

- P1: To structure tax law so as to minimize noncompliance, by making cost of doing business higher for non-compliant and Non-Return filers.
- P2: To gradually minimize tax distortions, inequities and rate differentiations i.e. the effect of tax law on taxpayer's decision to structure it's transactions should be kept minimum, and taxpayer should not be encouraged or discouraged from engaging into certain activities due to tax law.

Principles: Budget 2014-15

- P3: To encourage and enforce payment of revenues upfront from taxpayers i.e. phased implementation of PAYE (pay as you earn) regime for Return filers.
- P4: To achieve tax neutrality in phased manner i.e. taxation system be structured gradually in such a way that it does not favor one industry or entity over the other.

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Principles: Budget 2014-15

- P5: To gradually phase out tax exemptions incorporated in tax law (through the influence of special interest groups) serving no specific policy objectives.
- P6: To provide tax incentives to Multinationals and Non-Residents so that outflows of remittances be reduced.
- P7: Broadening of Tax Base with special emphasis on Retail Sector

BUDGET PROPOSALS BY MEMBERS OF TAC

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PROPOSALS BY MR.ASHFAQ TOLA

- Replacing Final Tax Regime with Maximum Tax Regime(MTR).Tax collected or deducted at source is to be treated as maximum tax and persons hitherto falling under FTR to file Tax Returns .
- Introduction of flat tax scheme for small entities engaged in retail business having turnover less than 5 million. Rates of flat tax should be based on categorization of retailers into high , medium and low income groups in urban and rural areas separately.
- Broadening of Direct Tax Base through data mining of mobile phone users .

[Details](#)

PROPOSALS BY MR.ABID SHABAN

- To encourage filing of wealth statement , individuals may be offered exemptions from audit.
- Surcharge at rate of 5% may be imposed.
- Rates of tax withholding u/s 148, 153, dividend, interest and exports may be increased . Tax collected u/s 148 and deducted u/s 153 should be made minimum tax .
- Rate for tax deduction u/s 235 should be higher for non-filers than filers.

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Cont.

- Withholding tax should be imposed on properties , to be collected by provincial excise departments along with property tax .
- Condition of having NTN may be made mandatory for credit card holders, mobile phone subscribers , club memberships, sale of plots , connections for utilities etc.
- Minimum tax u/s 113 should be imposed on selling/transferring of an immovable property at rate of 5% of sale value . Similarly minimum tax at rate of 1% of turnover should be imposed on person providing educational and medical services .
- Rate of tax should be increased by 5% in case of Banks .

Details

PROPOSALS BY MR. HABIB FAKHRUDIN

- For broadening of tax base information should be collected regarding ownership of vehicles , sale/purchase of immovable properties, shopping malls, bank accounts/transactions etc.
- Members of parliament and all Grade-20 and above officers of Federal and Provincial Governments should be audited at least once in three years.
- There should be a threshold of US \$ 10,000 viz-a-viz application of section 111(4) .
- Value of immovable properties be assessed as per fair market value instead DC rates .

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Cont.

- Withholding tax should be imposed on residential electricity and gas charges, on transfer of vehicles , foreign travels , industrial and commercial consumers of natural gas.
- Final Tax Regime should be replaced by Minimum Tax Regime .

Details

Federation of Pakistan chambers of Commerce & Industry

- NTN should be made mandatory for all type of commercial activities.
- Small amount of tax credit may be allowed as incentive to file returns.
- CNIC of an individual, incorporation number of a company may be adopted as "Common Tax Identifier".
- Return filers may be issued cards and treated as preferential persons at immigration counters, for passport/ license issuance etc.

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Cont.

- Proceeding under section 122(5), 122(5A) etc, should be done only by Chief Commissioner.
- Selection for an audit only by FBR.
- Provisions of section 165-A and 236G(deduction of tax from importers, dealers, distributors) may be withdrawn.
- Tax on inter company dividends for purpose of section 59A, 59B, should be exempted.

Cont.

- Tax credit u/s 65B (investment for BMR) and 65D(new industry), may be allowed to be carried forward for 5 years.
- Rate of minimum tax u/s 113 , may be reduced to 0.25%.
- Tax on rental income , may be increased to 10% and taken as fixed Tax.
- Poultry farming may be allowed to avail Tax credit u/s 65D and 65E.

Details

PROPSALS FROM KARACHI CHAMBER OF COMMERCE AND INDUSTRY

- Tax rate for companies and AOPs may be reduced.
- Cases should be selected for withholding audit.
- Minimum tax on services should be only in case of professional services . Services ancillary to industry should be excluded.
- Tax withheld u/s 235 should be made adjustable in all cases and in FTR cases it should be refundable.

Cont.

- Section 21(l) should be amended by replacing figure of 50,000/- with 150,000 and this section should not apply on purchase of agricultural produce.
- Rate of tax credit u/s 65A and 65B should be enhanced .
- Withholding tax u/s 148, being on higher side needs to be rationalized .
- Persons paying 20% higher tax than last year may be exempted from audit .

Details

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**LAHORE CHAMBER OF COMMERCE
 AND INDUSTRY**

- Insurance companies related proposals include, exemption from WWF, tax credits on health and personal lines insurance premium , exemption from withholding on bonuses to policy holders and exclusion of dividend from FTR.
- Minimum tax u/s 113 should be reduced to 0.5% .
- Reduction in rate of corporate tax , tax on exports, imports , supplies and cash withdrawal.
- Withdrawal of section 236D .
- Rate of initial depreciation should be restored to 50% . Limit of 2.5 million for vehicles should be deleted.

Details

ISLAMABAD CHAMBER OF COMMERCE AND INDUSTRY

- Corporate and minimum tax rates should be reduced .
- Persons registered under Sales Tax may be excluded from the definition of "prescribed persons".
- Approval of CIR for revision of return may be withdrawn .
- Clause (58 A) , Part I , Second Schedule, may be deleted so that all educational institutions pay tax .
- 1% adjustable WHT may be levied at import stage and local purchase of steel scrap .
- Oil tankers and good transporters should be allowed exemption from section 153 w.e.f Tax year 2009.

Details

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PAKISTAN BUSINESS COUNCIL

- Section 59B needs to be amended to the effect that condition of "continued ownership for five years of share capital of subsidiary company" , should be taken as w.e.f date of surrender of loss. Similarly the clause "excluding companies engaged in the business of trading" needs rationalization.
- Profit on debt payable to Non-residents in respect of foreign loans , utilized for industrial investment may be allowed exemption as before to bring FDI. (Clause (72(iii)) , Part I, Second Schedule may be reinserted).

Cont.

- Companies paying upfront advance tax u/s 147 may be given option to avail exemptions from all withholding sections except FTR .
- Provisions of section 111(4) should only apply to remittances received for investment in an industry and upto amount of US \$ 25,000.
- Set off of foreign losses may be allowed against local income as well .
- Rate of tax u/s 148 in case of manufacturers importing raw material may be reduced to 1% .
- 50% rate of initial allowance may be restored .

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Cont.

- Provisions regarding tax credits u/s 65B , 65E need revisit . Cost of factory building should be included for purpose of 65E . Words "extension and expansion" need to be inserted in 65B(4) and 65E(1) .
- Section 236H may be deleted .
- Tax credit u/s 65A may also be allowed in case 90% of purchases are made from sales tax registered persons .

Details

Chamber of Commerce and Industry Quetta

- Tax at rate of 4% should be collected on the amount of bill in case of commercial consumers of gas .
- Limit of aggregate amount provided in section 21(l) be increased to Rs. 100,000. Similarly limit u/s 21(m) may also be enhanced.

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Cont.

- Income of chambers of commerce and industries , trade bodies may be declared exempt.
- Income of industries set up in Baluchistan after 1st July 2013, may be allowed exemption for 10 years .
- Persons doing business in remote and terrorism affected areas of Baluchistan may be allowed exemptions from section 113 and 177.

Details

CHAMBER OF COMMERCE AND INDUSTRY KPK

- Rate of corporate tax should be reduced.
- Small companies should be treated at par with individuals and AOPs for the purpose of section 153.
- Rate of tax in case of financial institutions may be fixed at 40%.
- Minimum tax may be reduced to 0.5 %.

Details

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PROPOSALS BY OICCI

- I. Tax broadening measures - increase tax-GDP ratio
 - Political will and consistency in policies for 5 years.
 - Abolish culture of amnesty schemes/SROs.
 - Use of NADRA and other databases
 - Coordinate with SBP to ensure filing of returns by account holders with turnover greater than 1 Million
 - Introduction of electronic cash registers
 - Accountability and elimination of corruption in FBR

PROPOSALS BY OICCI

- II. Time frame for scrutiny be reduced to 30 days and interest should be paid beyond 30 days
- III. Minimum tax on turnover be eliminated for companies in LTU and registered under sales tax
 - Minimum tax to be on gross profit
 - Rate to be reduced to 0.2%
 - Petroleum levy to be excluded for working of minimum tax
- V. Credit u/s 65A should be increased to 5% from 2.5%
- VI. Levy the same tax rate on AOPs and companies
- VII. Consider returning to the old concept of circle administrative set up.

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PROPOSALS by Dr. MANZOOR AHMAD

1. The open-ended money whitener scheme under section 111(4) should be abolished.
2. Wealth tax to be introduced on assets assessed at market value.
3. Inheritance tax, on wealth gains of inheriting persons be introduced.
4. Charging lower tax on exports is treated as a subsidy by some foreign countries, and Pakistani exports are subjected to countervailing duties.
5. High income tax on import is considered as increasing duty on international trade.

PROPOSALS by Dr. MANZOOR AHMAD

6. Currently, capital gains on immovable property limit of two years be increased to five years at least.
7. All incomes above a certain threshold, irrespective of source should be taxed. This includes income from agriculture, pensions etc.

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