

# MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

# INSIDE

- ✓ Committee Activities
- ✓ Pakistan Stock Market – KSE-100 Index Fluctuations
- ✓ Rupee-Dollar Parity
- ✓ Taxation Updates
- ✓ Corporate Updates
- ✓ International Updates
- ✓ Topic of the month – Federal Budget Proposals 2021-22
- ✓ Legal Privileges available to Cost and Management Accountants (CMAs)

## Message from the Chairman:

I am glad to present the Monthly Technical Updates by TSPD Committee for the month of March, 2021. This issue covers a variety of topics related to Taxation, Stock Market, Corporate Sector and especially the upcoming Federal Budget 2021-22. I thank our members for their dedication and commitment for preparation of pre-budget proposals which are incorporated in this issue. I believe that members will find it informative and helpful in discharging their professional assignments/ responsibilities. Moreover, Members are requested to frequently visit the website of the Institute to keep themselves abreast with the latest developments in the AML/ CFT regime. I also want to request all members to share their valuable suggestions for further improvement in the Monthly Technical Update and identify topics of technical interest, which the Committee may consider for arranging seminars, workshops and training programs beneficial for the practicing members in terms of their capacity building and value addition.



Please do share your comments on [tspd@icmap.com.pk](mailto:tspd@icmap.com.pk)

**Shehzad Ahmed Malik, FCMA**

Vice President & Chairman  
TSPD Committee ICMA Pakistan

# Committee Activities

Technical Support & Practice Development (TSPD) Committee, in collaboration with the Research & Publication Committee & CPD Committee of ICMA Pakistan, organized National Pre-Budget Conference on March 30, 2021. Worthy Members and experts of taxation from across the country discussed and specified budgetary measures on Income Tax, Sales Tax, Custom Duty and Federal Excise as well as Industry-specific matters.

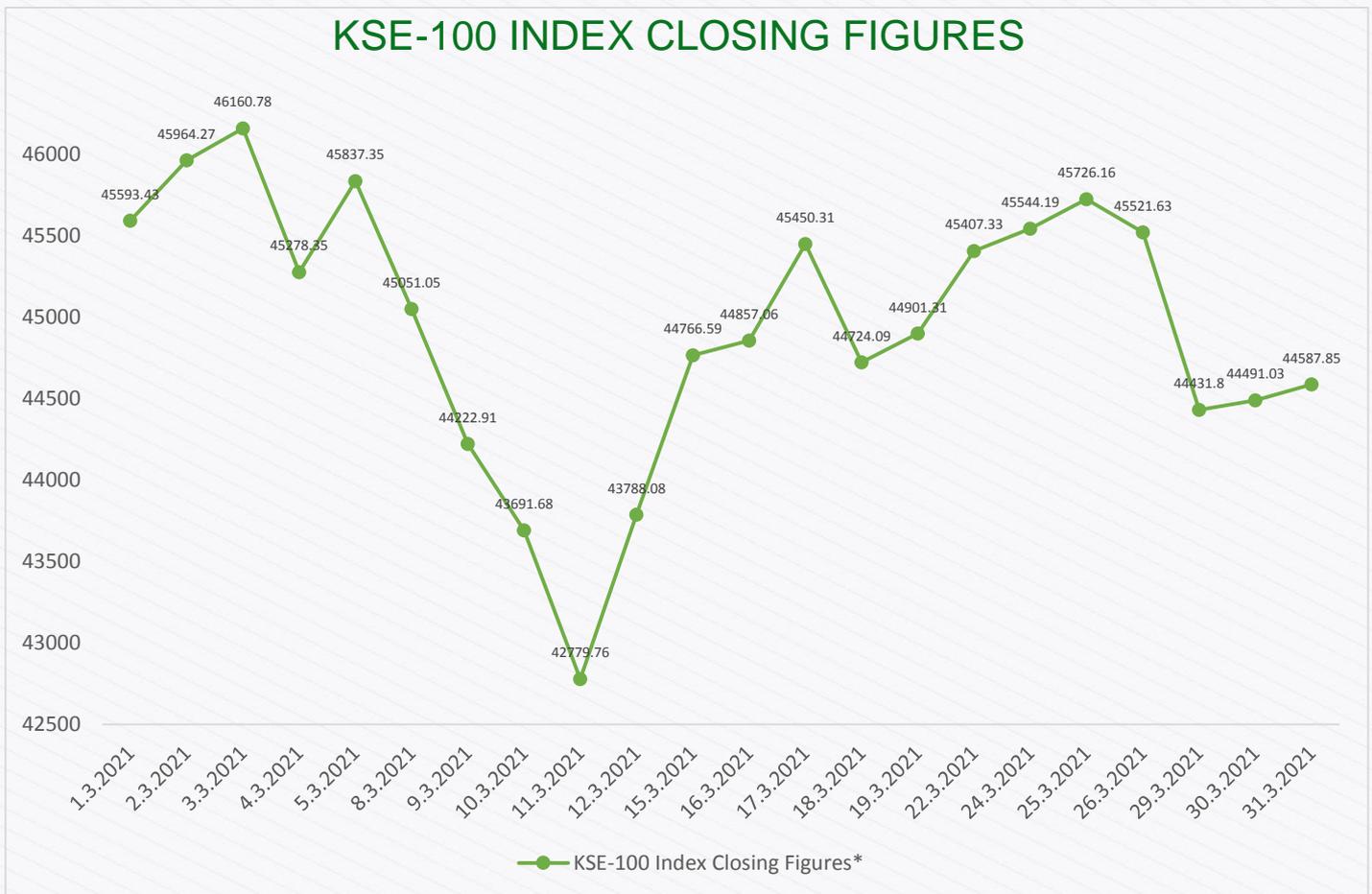


# Pakistan Stock Market

## Pakistan Stock Market – KSE-100 Index Fluctuations during March, 2021

| Date     | KSE-100 Index Closing Figures* | Date      | KSE-100 Index Closing Figures* | Date      | KSE-100 Index Closing Figures* |
|----------|--------------------------------|-----------|--------------------------------|-----------|--------------------------------|
| 1.3.2021 | 45593.43                       | 10.3.2021 | 43691.68                       | 19.3.2021 | 44901.31                       |
| 2.3.2021 | 45964.27                       | 11.3.2021 | 42779.76                       | 22.3.2021 | 45407.33                       |
| 3.3.2021 | 46160.78                       | 12.3.2021 | 43788.08                       | 24.3.2021 | 45544.19                       |
| 4.3.2021 | 45278.35                       | 15.3.2021 | 44766.59                       | 25.3.2021 | 45726.16                       |
| 5.3.2021 | 45837.35                       | 16.3.2021 | 44857.06                       | 26.3.2021 | 45521.63                       |
| 8.3.2021 | 45051.05                       | 17.3.2021 | 45450.31                       | 29.3.2021 | 44431.80                       |
| 9.3.2021 | 44222.91                       | 18.3.2021 | 44724.09                       | 30.3.2021 | 44491.03                       |
|          |                                |           |                                | 31.3.2021 | 44587.85                       |

\*As published in Daily Dawn



# Rupee-Dollar Parity

| Date     | Interbank Rate* | Market Rate* | Date      | Interbank Rate* | Market Rate* | Date      | Interbank Rate* | Market Rate* |
|----------|-----------------|--------------|-----------|-----------------|--------------|-----------|-----------------|--------------|
| 1.3.2021 | 158.4           | 158.6        | 10.3.2021 | 157.2           | 157.6        | 19.3.2021 | 156.0           | 156.5        |
| 2.3.2021 | 158.2           | 158.4        | 11.3.2021 | 157.4           | 157.8        | 22.3.2021 | 156.4           | 156.5        |
| 3.3.2021 | 157.7           | 157.8        | 12.3.2021 | 157.4           | 157.6        | 24.3.2021 | 155.7           | 156.0        |
| 4.3.2021 | 157.6           | 157.9        | 15.3.2021 | 157.2           | 157.6        | 25.3.2021 | 155.3           | 155.7        |
| 5.3.2021 | 157.2           | 157.7        | 16.3.2021 | 157.0           | 157.3        | 26.3.2021 | 155.0           | 155.5        |
| 8.3.2021 | 157.3           | 157.9        | 17.3.2021 | 156.5           | 156.6        | 29.3.2021 | 154.6           | 154.9        |
| 9.3.2021 | 157.2           | 157.5        | 18.3.2021 | 155.4           | 155.8        | 30.3.2021 | 154.0           | 153.8        |
|          |                 |              |           |                 |              | 31.3.2021 | 154.0           | 153.8        |

\*forex.pk

## RUPEE-DOLLAR PARITY DURING MARCH, 2021



# Taxation Updates

## 1. SOP FOR PROTECTING COMPLAINTS OF CORRUPTION AGAINST REACTION OR REVENGE

Federal Board of Revenue (FBR) vide their Circular 10 of 2021 dated March 01, 2021 notified Standard Operating Procedure for Protecting Complainants of Corruption Against Reaction or Revenge — Providing Secure Channel of Lodging Complaints — Confidentiality & Encoding of Complainants.

In order to allay the fears of the business community and citizen taxpayers, a convenient, and protected mechanism of filing complaints against corruption is being devised whereby all complaints would be received by Member (Inland Revenue-Operations) himself on an especially dedicated cellphone +92-0345-5555507; the cell-phone would be in his own possession, exclusively. The complaints would be opened, acknowledged, and treated as per law in a highly confidential manner. The identity of the complainants would be immediately masked and encoded to safeguard them against any undue consequences.

The standard operating procedure (SOP) for lodging and handling of complaints against IR field functionaries is as under:-

- (i) Complaints would be lodged through a text message at Cell No. +92-345-5555507 — on WhatsApp, preferably.
- (ii) In WhatsApp text option, the complainant would identify himself by writing his name, address, CNIC, the case particulars and his cell phone number.
- (iii) The complainant would write the name(s) of the official(s) or officer(s) against whom the complaint is directed along-with his/their designation, place of posting, and any other particulars, if available.
- (iv) The complaint must be supported by some evidence such as audio or video recording, text message exchanged with the FBR functionary or any other documents, which could be attached with the text message, or subsequently sent by hard mail. If no such evidence is readily available, an affidavit on a legal paper, clearly spelling out the allegation and the person against whom the allegations are levelled would suffice.
- (v) Upon receipt of the complaint, a code number would be allotted to each complainant and his back-end identity data would be hidden beyond the access of field officers. This code number would help a complainant track progress on his complaint and the outcomes on it.
- (vi) Depending on the nature of the complaint and the evidence provided, the matter would be taken to a logical consequence in the shortest possible time.
- (vii) Non-specific, unsupported or generalized complaints may not be processed.

It was also emphasized by the FBR that this SOP is exclusively targeted to attack corruption and rent-seeking in the IR Field Formations, and not address complaints of routine nature. Maladministration-related grievances pertaining to tax assessments, delay in processing or payment of refunds, or issuance of exemption certificates etc. need to be brought to the notice of Chief Commissioner concerned who, vide FBR's Order No.8(37)-IR-TPC/2020/213381-R dated 16.11.2020, have already been designated as Inland Revenue Ombudspersons and assigned the task of redressing taxpayers' grievance in the quickest possible time.

Accordingly, taxpayers could now lodge complaints of corruption, rent-seeking and unethical conduct against any FBR functionary without any fear of reaction or revenge. However, in order to maintain the integrity of the system and achieve its intended objectives, the complainants would not level generalized allegations, and instead, file solid complaints, duly supported by evidence, and affidavits against the delinquent functionaries so that the malaise of corruption could be eliminated from the revenue function of the state.

For further details, please visit the following link:-

[https://download1.fbr.gov.pk/Docs/20213118326333742021-03-01\(Circular10of2021\).pdf](https://download1.fbr.gov.pk/Docs/20213118326333742021-03-01(Circular10of2021).pdf)

## 2. EUROBONDS AND INTERNATIONAL SUKUK

FBR vide their S.R.O. 268(I)/2021 & 269(I)/2021 dated March 01, 2021, In exercise of the powers conferred by clause (75) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, approved exemption for the purposes of the said clause to the profit on debt income of an agency of a foreign government, a foreign national company, firm or association of persons or any other non-resident person, on Eurobonds & International Sukuk issued under the Government's medium-term note program.

For further details, please visit the following link:-

[https://download1.fbr.gov.pk/SROs/2021311331617547268\(I\)of2021.pdf](https://download1.fbr.gov.pk/SROs/2021311331617547268(I)of2021.pdf)

# Corporate Updates

## 3. ISSUANCE OF SHARES UNDER CLAUSE (A) OF SUB-SECTION (1) OF SECTION 83 OF THE COMPANIES ACT, 2017 (XIX OF 2017)

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 1 of 2021 dated March 31, 2021 clarified that companies, public and private, can issue shares by way of right under clause (a) of sub-section (1) of section 83 of the Act either for cash or a consideration otherwise than in cash, subject to compliance with section 70 of the Act.

It was also clarified that a private company may offer shares by way of right in accordance with sub-clause (i) & (ii) of clause (a) of sub-section (1) of section 83 of the Act, and if the whole or any part of the shares offered is declined or is not subscribed, such shares can be offered to any person, other than its existing members, in terms of sub-clause (iv) of clause (a) of sub-section (1) of section 83 of the Act.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-11-of-2021-issuance-of-shares-under-clause-a-of-subsection-1-of-section-83/?wpdmdl=42027>

## 4. DRAFT AMENDMENTS TO THE ASSOCIATIONS WITH CHARITABLE AND NOT FOR PROFIT OBJECTS REGULATIONS, 2018

SECP vide their S.R.O. 371 (I)/2021 dated March 29, 2021 proposed following amendments to the Associations with Charitable and Not for Profit Objects Regulations, 2018:-

In the aforesaid Regulations, in regulation 10, in sub-regulation (2), for clause (ii), the following shall be substituted:-

“(ii) Solvency and financial soundness. - A person must fulfil the requirement, in order to act as promoter, director or chief executive officer of the company, that there is no instance of overdue or past due payment to a financial institution of an amount exceeding Rs. 200,000/- appearing in the latest Consumer Credit Information Report (CCIR) of, -

(a) such person; and

(b) the companies, firms, sole proprietorship etc. where such person is a beneficial owner, promotor, partner or proprietor:

Provided that this clause shall not be applicable on a person who hold qualification shares.”.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/sro-371-dated-29-3-2021-draft-amendments-to-the-associations-with-charitable-and-not-for-profit-objects-regulations-2018/?wpdmdl=42024&refresh=6068181f774781617434655>

# International Updates

## 5. IPSASB ISSUES TWO LEASES-RELATED PUBLICATIONS FOR PUBLIC COMMENT

The International Public Sector Accounting Standards Board (IPSASB) vide their notification dated January 15, 2021 released an Exposure Draft (ED) 75 “Leases” and a Request for Information “Concessionary Leases and Other Arrangements Similar to Leases”.

The Exposure draft proposes an IFRS 16, Leases aligned model for lease accounting in the public sector. For lessees, as with the IPSASB’s previous proposals in ED 64, ED 75 proposes a right-of-use model that will replace the risks and rewards incidental to ownership model in International Public Sector Accounting Standard (IPSAS) 13, Leases. For lessors, ED 75 proposes to substantially carry forward the risks and rewards incidental to ownership model in IPSAS 13 in response to ED 64 comments and practical IFRS 16 implementation experience.

Issued alongside ED 75, the Request for Information will provide the IPSASB with further information on the issues that need to be considered in accounting for concessionary leases and other arrangements similar to leases that are quite common in the public sector. This will then allow the IPSASB to determine the nature and extent of the additional guidance required in phase two of the Leases project.

Both the Exposure Draft and Request for Information may be accessed through the following links:-

<https://www.ipsasb.org/publications/exposure-draft-75-leases>

<https://www.ipsasb.org/publications/request-information-concessionary-leases-and-other-arrangements-similar-leases>

IPSASB has sought public suggestions on the above drafts. Worthy Members are requested to kindly review the draft and forward their valuable comments/ suggestions/ feedback to [tspd@icmap.com.pk](mailto:tspd@icmap.com.pk) latest by **May 10, 2021** for onward submission to IPSASB.

# Proposals on Federal Budget 2021-22

The Technical Support & Practice Development (TSPD) Committee prepared its proposals on Federal Budget 2021-22 under the directions and supervision of Chairman TSPD Committee:-

| Sr. No                            | Clause of the Relevant Law               | Proposed Amendment  | Rationale of the proposed amendment  |
|-----------------------------------|--|---|--|
| <b>Income Tax Ordinance, 2001</b> |  |   |  |
| 1                                 | Sec 20                                   | Maximum credit up to 75% of markup paid to financial institutions on the funds borrowed equal to 'Income Tax Refunds' due from FBR should be given to taxpayer while calculation of taxable income.   | To make up shortage of liquidity due to delayed and pending refunds, taxpayers have to borrow funds from banks by paying markup. A hypothetical credit equal to 'KIBOR + 1.50' be given while calculation of taxable income so that maximum credit of the figure of markup paid be given to taxpayer.  |
| 2                                 | Sec 23A                                  | The rate of initial allowance under section 23 is currently 25% for plant and machinery and 15% for building it should be increase to 50% in case of addition in plant and machinery (as was the case prior to the Finance Act 2013) and 25% in case of building.   | It is necessary to encourage companies to invest and make substantial addition in their fixed assets and improve technology in plant & machinery. Through the Finance Act 2014, the rate of initial depreciation allowance on plant and machinery as prescribed under the Third Schedule to Income Tax Ordinance 2001 has been <b>reduced to 25%</b> from 50%.   |
| 3                                 | Section 57(4)                            | The sub-section 4 vide Finance Act 2018, may be deleted and the previous sub-section may be revived.  | In case of loss making companies, this restoration will benefit such companies.  |
| 4                                 | Sec 65A (Deleted vide Finance Act, 2017) | Tax Credit if Sales is to persons registered under Sales Tax Act, 1990 earlier allowed vide Sec 65A be re-incorporated in tax law to incentivize documented economy.  | Tax credit of 2.50% was given, from tax year 2009, to Sales Tax registered Manufacturers, if 90% of their sales were to those persons registered in Sales Tax. In 2016 this was increased to 3%, to encourage persons towards documentation. However, this clause was deleted vide Finance Act, 2017.  |
| 5                                 | 65B                                      | In case a taxpayer being a company invests any amount in the purchase of plant and machinery, for the purposes of extension, expansion, balancing, modernization and replacement (BMR) of the plant and machinery, already installed therein, in an industrial undertaking set up in Pakistan and owned by it, credit equal to at least 10% the amount so invested shall be allowed against the tax payable including on account of minimum tax and final taxes payable under any of the provisions of this Ordinance, by it in the manner hereinafter provided | Currently tax credit has been reduced to 5% through last budget. It should be enhanced to 10% to encourage BMR in industrial undertakings. BMR allowance to Brownfield industries equal to greenfield be given.  |
| 6                                 | 65D                                      | Where a taxpayer being a company formed for establishing and operating a new industrial undertaking, sets up, it should be given maximum tax rebate/ credit of the tax payable.   | The amendment made through the Finance Act, 2016 be reversed to its original version.  |
| 7                                 | 65E                                      | In case of industrial undertakings established before the first day of July, 2011, where a taxpayer maintains separate accounts of an expansion project or a new project, as the case may be, the taxpayer shall be allowed a maximum tax credit the tax payable, including minimum tax and final taxes payable under any of the provisions of the Ordinance, attributable to such expansion project or new project.  | The amendment made through the Finance Act, 2016 be reversed to its original version.  |
| 8                                 | Section 80                               | Limited Liability Partnership (LLP) need to be defined under the definition of Association of Persons instead of Company as it is similar form of business though registered with SECP under the Limited Liability Partnership Act, 2017. LLP is a documented form of business therefore it should be promoted by including incentive provisions under the tax law.   | In 2017, through new enactment i.e Limited Liability Partnership Act, 2017, By virtue of its definition, it is a corporate but by virtue of arrangement it is a partnership. Even with this new legislation of LLPs being important legal form of business, no amendment has been made in the Income Tax Ordinance, 2001 to provide taxation of LLPs which may create confusions amongst the LLPs as tax payers. |
| 9                                 | Section 113                              | In all other cases, the Rate of minimum tax should be reduced to 0.5%.  | At present, the rate of Minimum Tax under section 113 is charged at 1.5%. This rate of Minimum tax should be reduced to half percent to benefit the new and small insurance companies and other small  |

|    |   |   |  |
|----|---|---|--|
|    |   |   | businesses & to the companies which are in losses in their initial years of operation.   |
| 10 | Alternative Corporate Tax                         | Section 113C should be rationalized.  | This section creates hardship for companies. Even in case of losses or low net income, companies are still required to pay undue tax.  |
| 11 | Section 122, sub-section 5A                       | This section should be rationalized in order to reduce the misuse of this section.  | Section 5A gives unfair power to Commissioner which may result in corrupt practices. The reassessment should be rationalized. It should be made with the permission of the higher authorities.   |
| 12 | Sec 130   | The Accountant Member posted at Inland Revenue Appellate Tribunal, should retire from there and should in no way go back / transfer back to the tax department. This will go a long way in imparting Justice.   | Accountant members are posted in the Tribunal from the tax department and can be reposted back in the tax department and hence are very conservative when imparting Justice.   |
| 13 | Sec 131   | Stay order by Tribunal should be valid till Disposal of its Appeal Under Section 131.   | Currently, stay order is granted by Inland Revenue Appellate Tribunal for limited number of days. It is requested that the current provision/amendment be deleted and the earlier position of law should be restored in the interest of natural justice so as to provide relief to the taxpayer.   |
| 14 | Section 138                                       | Auto stay against recovery may also be introduced while case is pending before the Appellate Tribunal. 10% would have already been paid by the taxpayer for auto stay at First Appeal Level.  | Currently, in case of, appeal is pending at Commissioner Appeal level and if taxpayer deposit 10% of the tax demand, then recovery proceedings are not initiated. In most of the cases relief from the Commissioner Appeals is not granted to the tax payers and Tax payers had to go to next level i.e Appellate Tribunal where major time of the Tribunal is spent on disposal of stay matters and main appeals are not heard due to which disposal of cases is delayed much at Appellate Tribunal Level.    |
| 15 | Sec 148   | Zero rated import of Plant and Machinery and a reduced rate of 1% on import of Raw Material is proposed to facilitate the real manufacturers  | The current 5.50% rate of withholding tax u/s 148 in case of industrial undertaking of the value of goods creates significant cash flow impacts for manufacturers and results into generation of income tax refunds.<br>Manufacturers, whose raw materials are imported goods, are facing cash flow problems due to abnormal delays in getting their refunds if any. The problem gets worse for companies who have huge brought forward losses, tax credits and are required to pay only Minimum Turnover Tax. |
| 16 | 150/159, 151/159, 153/159, 235/159 etc.           | Process of issuance of exemption certificate, specially, for the provisions of 150, 151, 153, 235 be made <b>automatic</b> upon deduction of withholding tax or by way of payment of advance tax u/s 147 equal to 100% of the last tax year's tax liability.                  | Process of issuance of exemption certificate u/s 148 <b>automatically</b> has been prescribed vide recent Tax Laws (Second Amendment) Ordinance, 2019. For rest of provisions, issuance of exemption certificates are made on pick & choose bases and not on all the applications on merit.  |
| 17 | Section 164 and Rule 42 of Income Tax Rules, 2002 | Tax deduction/collection certificate<br>On FBR portal there is need to enhance the accessibility to tax payers to extract their certificates, reports of tax deduction at source and further it should be automatically linked with the tax returns of respective tax payers. | It will also ensure that withholding agents are depositing due tax to the Govt. exchequer.   |
| 18 | 170 (1) & 170(4)                                  | Payment of income tax refund may also be made through 'Payment of Refunds through Promissory Note' as being done in Sales Tax refunds cases. Also State Bank of Pakistan be advised to formulate procedure for acceptance of these Promissory Notes as collateral securities. | The concept introduced to pay sales tax refunds through Promissory Note should also be applied in payment of income tax refunds being a good idea to reduce liquidity problems of taxpayers.   |
| 19 | Sec 171   | Automatic Payment of 'Additional payment for delayed refunds' should be made through order for payment of income tax refund u/s 170(4)  | Additional payment for delayed refunds is normally not done upon filing of application u/s 171 for additional payment for delayed refunds rather taxpayer is pressurized to withdraw his application. To avoid this harassment, it is suggested that additional payment be made along with refund payment through same refund voucher without any separate proceedings u/s 171.  |
| 20 | Sec 171   | Income Tax refund should become due from the date of assessment of income treated to have been made by the  | Income tax refund becomes due on the date of income tax return but while calculation of number of days for delayed refund, date of   |

|    |                                 |  |  |
|----|---------------------------------|--|--|
|    |                                 | Commissioner u/s 120 not from the date refund order u/s 170(4) is made.  | refund order u/s 170(4) is taken into account. Delayed days should be calculated from the date of filing of income tax return u/s 120 because actually income tax refund becomes due by all means on the date of filing of return and its assessment u/s 120.  |
| 21 | 177(1)                          | Risk-based Audits, with one-month prior notice, be adopted as a policy rather than to conduct random Audits. The selection of audit should be made once every three years.   | Current impression of pick & choose audit be strictly avoided specially in case of applicant of refund.  |
| 22 | Sec 177, 214C                   | There should be exemption from Audit for Taxpayers who deposit 20% more tax over the last year tax liability.  | General amnesty for provisions of audit be re-introduced as was done in the past.  |
| 23 | Sec 177, 214C                   | Exemption from Audit for 2 years for the new entrants.   | This will help flourish industry and will generate employment in the country.  |
| 24 | Sec 177, 214C, 138 & 175        | Discretionary powers under Section 177, 214C, 138, 175 of (Income Tax) for coercive selection of audit, recovery through attachment and powers to enter & search premises be regularized by seeking approval from FBR so that field offices may not mis-use powers.          | Atmosphere of friendship and confidence be enhanced to encourage industrialization in the country and to improve employment generation.  |
| 25 | 1 <sup>st</sup> Schedule to the | In case of Small Companies, the rate of income tax may be reduced from current 25% to 20%. Small Companies should be exempted from being a withholding agent to deduct taxes and file statements.<br><br>Tax on Dividend for Private Limited Companies should be eliminated. | While introducing concept of the Small companies, the partnership firms were encouraged to convert their business into incorporated companies by offering lower income tax rate of 20% and exempting them from being withholding agents. However, afterwards the income tax rate was increased to 25% and they were also made withholding agent with stringent requirement of compliances. |
| 26 | Rule 6B of Fourth Schedule      | It is proposed to abolish the tax measure of one basket or the Rate of tax should be brought down in line with other sectors.  | During the year 2016, tax measure of one basket income for Insurance companies was introduced. The Capital Gains and Dividend income is currently being taxed @ 30% as against reduced rate of tax for other sectors. This state is discriminatory in nature and may hamper the profitability of the insurance companies.  |

**Sales Tax Act, 1990**

|    |                     |   |  |
|----|---------------------|---|--|
| 27 | Sales Tax Act, 1990 | A single online integrated Sales Tax Returns filing procedure may be introduced for Federal and Provincial Sales Tax declaration instead of current separate filing requirements for federal and each province.   | Currently, the taxpayers doing business in Federal Capital as well as the provinces have to get themselves registered in Federal Board of Revenue as well as all provincial Revenue Authorities and file separate returns (generally 5 returns). This is a cumbersome job.   |
| 28 | General             | It is proposed that instead of present system, introduce sales tax, which shall ensure every trader to pay tax on his sales. Therefore, it is proposed that sales tax may be imposed @ 10 % at import and manufacturing stage and 2% tax on all traders at all stages in the supply chain i.e. Distributors, Whole sellers and retailers. Every trader whether distributor, whole seller or retailer who has a NTN and filing his Income Tax Return, may automatically be considered registered for sales tax and he must submit his Sales Tax Return every month showing his purchases, sales and closing stock. This shall besides collection of Sales Tax shall also ensure recording/ documenting of country's economic activities.<br><br>Every trader shall issue sales tax invoice showing 2% Tax on the invoice. Every buyer shall happily pay 2% Tax instead of 17% present Tax. Actually every registered person after adjustment of input and output tax actually pays 1.5 % to 2.5% tax to the exchequer. Therefore, it is proposed that instead of going for existing complicated and cumbersome procedure of sales tax, adopt a simple and direct collection of 2% Sales Tax for all traders. The taxation officer during desk audit shall match the sales figures declared in Sales Tax Returns with the declared in Income Tax Return. In case of difference the T.O. shall recover Sales Tax or Income Tax with penalties. | The present sales Tax Act was introduced in 1990 and since then the Govt. has tried its best to implement it but businessmen community has not yet accepted it and the Registered Persons could not exceed one hundred thousand. The law is much complicated and Government in order to implement, is making it more complicated through issue of SROs, Special Procedure Rules. Although this act is called Sales Tax Act, but it is actually a Value Addition Tax, and by passage of time it is now a mixture of VAT, Turn over, Presumptive etc. tax. |

|   |  |  |   |
|---|--|--|---|
| 29  |  | Every trader shall issue sales tax invoice showing 2% Tax on the invoice. Every buyer shall happily pay 2% Tax instead of 17% present Tax. Actually every registered person after adjustment of input and output tax actually pays 1.5 % to 2.5% tax to the exchequer. Therefore, it is proposed that instead of going for existing complicated and cumbersome procedure of sales tax, adopt a simple and direct collection of 2% Sales Tax for all traders. The taxation officer during desk audit shall match the sales figures declared in Sales Tax Returns with the declared in Income Tax Return. In case of difference the T.O. shall recover Sales Tax or Income Tax with penalties. | do  |
| <b>General</b>  |  |  |   |
| 30  | General  | Incentive schemes should be introduced for Withholding Tax Agents.   |   |
| 31  | General  | If withholding tax agent fails to deduct withholding tax. There will be a penalty in terms of tax penalty and even expenses incurred by withholding agent is also dislodged.   |   |
| 32  | General  | Sections in terms of Withholding Tax must be reduced, simplified and merged.   | These sections are very complex and business community is finding it difficult to comply with it.   |
| 33  | General  | Following Privileges for the Filers/Tax Payers <ul style="list-style-type: none"> <li>• Life &amp; Health Insurance `</li> <li>• Priority Treatment in Government Hospitals</li> <li>• Priority for Admissions of the Children of tax payers in Government Schools/Universities</li> </ul>   | People will be induced to become tax filers/ tax payers.  |
| 34  | NPOs/Charities   | Charities to be taken out of the ambit of FBR<br>The regime for registration and monitoring of NPOs should be changed. A Charities Commission should be established and a Charities Act should be promulgated. All NPOs/charities should be required to be registered with Charities Commission under Charities Act. Powers of FBR related to NPOs should be done away with and given to Charities Commission for granting the status of NPO and Exemptions. All types of statutory reporting will then be to one single institution which will effectively help the government in monitoring and policy making.   | From granting the status of NPOs to granting of exemption and audits FBR officials exercise undue discretionary powers and corrupt practices, which discourages fair working by the NPOs.   |
| 35  | Penalty and punishment for officials of FBR                  | Penalty and punishment for officials of FBR should be introduced for willfully making wrong assessments during audit and for harassing the citizens and taxpayers. These should include monetary fines equivalent to time value of money of the assessee and his/her attorney, and imprisonment to a reasonable period so as to discourage harassment and willful wrong acts.  |   |
| <b>Islamabad Capital Territory (Tax on Services) Ordinance 2001</b> |  |  |   |
| 36  | Islamabad Capital Territory (Tax on Services) Ordinance 2001 | It is required to define each taxable service separately, category wise and with true spirit to avoid unnecessary litigations and confusions. (May take guidance from The Sindh Sales Tax Act on Services 2011 and The Punjab Sales Tax on Services Act, 2012. Many terms are not clearly defined which causes confusion among the tax payers/ departments.  | As per schedule to the ICT Ordinance 2001, there is list of 42 services which are taxable. There are certain services which are mixed up with each other. Even some of the services do not contain PCT codes, therefore there remains confusion in the field with respect to taxability under different serial numbers of the schedule. |
| 37  | Islamabad Capital Territory (Tax on Services) Ordinance      | The services of professional accountants do not involve input tax claim, therefore, the effective rate of 16% is not justified in view of 4% - 5% effective sales tax in case of products.<br>It is, therefore, requested to exempt/ reduce the Sales Tax on Services falling under the following PCT headings   | The services of professional accountants do not involve input tax claim, therefore, the effective rate of 16% is not justified in view of 4% - 5% effective sales tax in case of products.  |

|           |   |  |   |  |                                       |
|-----------|---|--|---|--|---------------------------------------|
| e 2001    | according to Islamabad Capital Territory (Tax on Services) ordinance, 2001 as under:- |  |   |  |                                       |
|           | <b>S#</b>   | <b>Slabs</b>   | <b>Services</b>   | <b>PCT Heading</b>   | <b>Action Requested</b>               |
|           | 1   | Annual turnover not exceeding Rs 10 million  | <ul style="list-style-type: none"> <li>Management Consultancy Services</li> </ul>   | 9815.4000, 9819.9300   | Exemption from Tax                    |
|           | 2   | Annual turnover exceeding Rs 10 million  | <ul style="list-style-type: none"> <li>Services provided by accountants and auditors</li> <li>Services provided by corporate law consultants</li> </ul> | 9815.3000<br><br>9815.9000   | Fixed Sales Tax Rate of 5% be applied |
| <b>38</b> | Islamabad Capital Territory (Tax on Services) Ordinance 2001                          | It is proposed that the rate of sales tax on all services should be gradually reduced to 5% from existing 16%. |   | Currently the rate of sales on services is 16%. Certain services are at reduced rates of 5% without input tax claim vide SRO 495(1) 2016 dated 4 <sup>th</sup> July 2016. In most of the cases, there is hardly any input for provision of services except few services of telecom and banking. Therefore, the higher rate of tax on may be one of the cause of tax evasion. |                                       |

### General Proposals

39. Tax Profile updating should not lead to In Active Tax payer rather to impose penalty only. It's a demand of business community to rationalize the system of withholding taxes.
40. Recovery notice should be issued after the permission of Chairman FBR or any higher Authority, harassment environment should be curtailed down.
41. The target of FBR should be to broaden the tax net rather than to increase tax rates.
42. SRO 760 should be replaced with SRO 266 for facilitation of gold and silver jewelry exporters. Import of raw material especially 24K gold and silver should be allowed at the lower rate for manufacturing of jewelry as well as to discourage the smuggling of the metals.
43. Sections 138, 140 and other recovery method should be relaxed.
44. Advance income tax on raw material should be reduced to 3% from 5.5%. The slabs of income tax should be rationalized. The slab of basic exemptions of 0.4 Million should be increased to 0.6 Million. Income tax rate should be reduced to 20% from 29% & 35 % for AOPs and corporate companies.
45. To broaden the tax base, WAPDA and other electric supply agencies may be tasked to provide detailed data of commercial and industrial electric meters on their web-site and FBR from the given details of such commercial meters may book them for tax returns.
46. Manual Appeals should also be allowed viz a viz On line for some period then complete shift should be adopted
47. According to FBR policy matter, SRO 1262, it is requested that the first appeal time deadline to be extended to 60 days instead of 30 days.
48. The tax system should be simplified & Small traders are brought into tax net through fixed taxation.
49. Regulatory duty on manufacturing items that are not manufactured locally should be abolished.
50. Current duty rates should be reduced to avoid under- invoicing.
51. The policymakers should be different from the tax collectors.
52. Additional sales tax of 3% on industrial raw material should be removed.
53. There must be a clear-cut policy for the unabsorbed carry forward in the sales tax returns due to excessive payment of 3% additional sales tax at import stage, the system of checking of stock, etc. has not any standing except corruptions.
54. Multi taxes in sales tax like extra tax, additional sales tax, further tax, etc should be brought to some simplification and for the understanding of common businessmen.
55. In sales tax audit due to malpractices, this is evident from the record that the frequency of payment of sales tax is reduced after an audit, this reduction in payment of sales tax is due to the interaction of taxpayers & sales tax auditors, there is no fruitful result of audits except harassments, huge bribery, etc.
56. Instead of issuance of refunds, the field officers are making falls excuses proper instructions should be given for the clearance of refund as soon as possible.
57. Sales tax audit should be held one-time process and once in 03 years. Sales tax on industries be reduced and brought down to a single digit.
58. DTRE should be applied on the raw materials being used in the emerging industries liked pharmaceutical, auto-parts, textile etc, to encourage more exports.
59. There should be a Zero tax on the recycling industry including the plastic industry. This will help gain CDM points which will eventually raise the status of Pakistan is making world a better place.
60. Same facilitation should be provided to local investors as to the foreign investors especially in the case of CPEC. DTRE procedure/rules should be different for exporters.
61. The import duty on certain items prone to smuggling through Afghan Transit trade may be reduced so that smuggling is discouraged. Better surveillance should be provided to protect the local industry. Custom duties on industrial raw materials should be reduced for making local industry competitive.
62. Banking channels to be established with the neighboring countries especially in CAR's Iran and Afghanistan.
63. Export policy order para 207 states that export of perishable items are allowed through advance PKR payment, but in practice (Customs) FBR does not allow without USD E-Form.
64. Commercial banks in KPK are not providing E-Forms facility regarding Pak-Afghan trade. This automatically encourages the cash payments.

- To curb the smuggling, concerned government departments should take chambers on board.
65. Exemption from Capital Gain Tax on profit or gains on sale of immovable property to REITs should be available to all types of REIT schemes as it was available till June 2015 wherein profit or gains on sale of immovable property was exempt without any distinction between types of REITs.
  66. Business community stressed that Smuggling through Afghan-Transit trade route should be curbed at immediate basis. Government should ensure to consult and take on board all Stakeholders, Professional bodies, Local Chambers and Business Community for CPEC related projects and initiatives.
  67. Due to COVID-19, force majeure clause can be invoked to review anti-national and antibusiness contracts like in energy sector.
  68. There should not be any fixation of tax targets for the field officers, this curtail the fair policy and comes to undue demands in the shape of illicit orders.
  69. Local investors should be protected against the foreign investments & All the government departments should have friendly outlook and ethics.
  70. CNG sector to be protected to save billions of rupees investment made in CNG sector and so to save employment provided by this sector.
  71. Utility cost should be brought at par with regional market players.

### **Industry/ Trade**

72. Business Community demanded road and air connectivity of Gawadar city and port as well to reduce the logistic cost and to facilitate trans-shipment trade.
73. State of the art Industrial estates, slaughterhouses and special economic zones should be established across Pakistan by the government to generate employment and self-dependency.
74. Incentives should be given to new emerging industries so that they can sustain themselves successfully in the long run.
75. It is accentuated that trade with Central Asian Countries should be enhanced for harnessing the opportunities lying in this region.
76. We appreciated the package given to construction industry but demanded that such incentive package should also be provided to other industries and businesses as well to boost industrialization and to achieve export surplus.
77. Across Pakistan exhorted that Strategy policy framework needs a thorough revision and urged to revamp the framework on solid grounds, to facilitate the exporters at large.
78. To provide freight facility for the export of Orange (kinnow). Moreover, special incentives should be provided to increase the share of Pakistani Kinnow export in Far East Asia.
79. Utility connections should be provided to the far pitched areas for development. Trade related facilities should be provided all across Pakistan, irrespective of the city.
80. It is solicited that government should reduce the clearance period for the perishable items.
81. Railway stations across Pakistan should be upgraded according to modern requirements.
82. Motorway connectivity should be enhanced. Moreover, Mirpur-Muzaffarabad-Mansehra Motorway should be constructed on a priority basis.
83. Levies on new industrial setup should be abolished.
84. Status of industry should be given to electronic products including the mechanical, electrical and HVACR, and auto workshops.
85. Under the ambit of green Pakistan, special incentives should be given to products that are positively contributing to an emission-free environment and less consumption of energy.
86. In Pakistan-Afghanistan transit trade only those items will be allowed which are consumed in Afghanistan and are not manufactured in Pakistan.
87. NLC issues to be resolved on an immediate basis as their terminal operation facilities are not up to the mark, and export consignment stays stuck for 06 to 07 days due to the not unavailability of scanners.
88. Relaxations and incentives should be provided to the cottage and furniture industry, as they also hold a major share in GDP. The definition of the cottage industry needs to be revised. Turn over should be increased to 5 million instead of 3 million to be categorized as cottage industry.
89. Agricultural Crop zoning across provinces should be identified and allotted for industrialization.

# Legal Privileges Available to Cost and Management Accountants\*

| Sr. | Description   | Legal Statute  | Relevant Section / Rule  |
|-----|---|--|--|
| 1   | To act as an <b>Auditor</b>   | Companies Act, 2017  | Section 247(b)   |
| 2   | Appointment as <b>Special Auditors</b> by FBR for Income Tax Audit                      | Income Tax Ordinance, 2001   | Section 177 (10) Income Tax Ordinance, 2001                                      |
| 3   | Appointment as <b>Special Auditors</b> by FBR Sales Tax Audit                           | Sales Act, 1990  | Section 32-A of Sales Act, 1990, & SRO 539(1)/2006 dated 5th June, 2006          |
| 4   | To perform <b>Audit of Cost Accounts</b> as an Auditor                                  | Companies Act, 2017  | Section 250(1)   |
| 5   | <b>Audit &amp; Certification of Accounts</b> of Non Profit Organizations                | Income Tax Rules, 2002   | Income Tax Rules, 2002 Rule 211  |
| 6   | Audit of Financial Statements for Agricultural Borrowers                                | Prudential Regulations for Agriculture Financing 2014                        | Part C, Regulations R-20   |
| 7   | <b>Audit</b> of Financial Statements of SMEs  | Prudential Regulations for Small and Medium Enterprises Financing 2013       | Chapter No. 3, Regulation ME R-4   |
| 8   | <b>Audit</b> of Financial Statements of Corporate and Commercial Banks                  | Prudential Regulations for Corporate / Commercial Banking 2011               | Part B, Regulations R-3  |
| 9   | To Act as <b>Legal Representative</b> of Taxpayer                                       | Income Tax Ordinance, 2001 Income Tax Rules, 2002                            | Sec 223 Income Tax Ordinance, 2001 Rules 84-90 Chp XIV if Income Tax Rules, 2002 |
| 10  | <b>Delegation of Function</b> by Assets Management Companies                            | SECP Circular, 2013  | No.24/2013 dated December 06, 2013   |
| 11  | Declaration for <b>Registration of Memorandum</b>                                       | Companies Act, 2017  | Section 16   |
| 12  | Appointment as <b>Accountant Member/ Legal representative</b> of the Appellate Tribunal | Anti-Dumping Duties Ordinance, 2015  | Rule 65(1)(a), No.2((1)/2015-Pub dated February 26, 2015                         |
| 13  | To Act as <b>Member</b> of Small Dispute Resolution Committee                           | Small Dispute Resolution Committees (Constitution and Procedure) Rules, 2015 | Section 4(1)(b)  |
| 14  | To act as an <b>Expert</b> in the Companies Act, 2017                                   | Companies Act, 2017  | Section 2(30)  |
| 15  | To act as <b>Certifier</b> in the memorandum and articles                               | Companies Act, 2017  | Section 17(3)  |
| 16  | To act as <b>Auditor</b> for making report in case of return as to allotments           | Companies Act, 2017  | Section 70(b)  |
| 17  | To act as an <b>Intermediary</b> in terms of Section 455 of the Companies Act, 2017     | Intermediaries (Registration) Regulations, 2017                              | Section 3(i)(b)  |
| 18  | To act as an <b>Internal Auditor</b> in the listed companies                            | Code of Corporate Governance   | Code of Corporate Governance   |
| 19  | To carry out the <b>Audit of Separated Accounts</b>                                     | PTA Accounting Separation Guidelines, 2007                                   | Sub-Clause 9(1)  |
| 20  | To act as an <b>Expert in the Panel of Insolvency Experts</b>                           | Corporate Rehabilitation Regulations, 2019                                   | Sub-Clause 4(ii)   |
| 21  | To act as a <b>Provisional Manager and Official Liquidator</b>                          | Panel of Provisional Managers and Official Liquidators Regulations, 2019     | Sub-Clause 4(a)  |
| 22  | To act as a <b>member of ADRC</b>   | Income Tax Ordinance ,2001   | Section 134 A  |
| 23  | To act as a <b>member of ADRC</b>   | Sales Tax Act, 1990  | Section 47 A   |
| 24  | To act as a <b>member of ADRC</b>   | Federal Excise Act, 2005   | Section 38 A   |

## TECHNICAL SUPPORT & PRACTICE DEVELOPMENT COMMITTEE

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