Budget Speech 2020-21

Part-I

Bismillah Ur Rehman ur Raheem

Mr. Speaker,

1. I start my submissions with the name of Allah Almighty, the most gracious, the most merciful. It is a matter of great honour and pleasure for me to present the second Annual Budget of the Pakistan Tehreek e Insaaf's Government. In August 2018, a new era started under the charismatic leadership of Prime Minister Imran Khan. We started an arduous journey; a path for recovery, stabilization and growth to be achieved in the medium term. Our economic policies are aimed at fulfilling our promise, our commitment with the people of Pakistan for building a "Naya Pakistan". Each year, we are coming closer to realizing this dream.

2. Mr. Speaker, our guiding principles in the past two years have been to weed out corruption, to bring about greater transparency and accountability in government institutions and to uphold merit in our decision making at all levels. Our prime objective is to revive our economy and steer Pakistan onto the path of becoming of a stronger economy, thus achieving the ideals as envisioned by our founding fathers. We have a great trust in the abilities of our people and we need their cooperation in achieving the desired goals.

3. Tehreek e Insaaf is standing on the principle of providing social justice, improving the conditions of the vulnerable and underprivileged segments of our society, and espousing the cause of the poor and downtrodden, which has been our vision and guiding principle.

<u>What we inherited</u>

Mr. Speaker,

4. Before I present budget for the next financial year, I would like to apprise this august house that when our government came into power in 2018, we inherited an economic crisis. The honourable members would recall that at that time;

a) Total debt and liabilities had got doubled in last five years and reached the highest level of Rs. 31,000 billion, which increased our debt servicing cost to an unsustainable limit.

b) Current account deficit had increased to a historic high of $20 billion

c) Trade deficit had reached at $ 32 billion, with no growth in exports in last five years.

d) Pak Rupee was artificially over-valued which decreased our exports and increased the imports.

e) Foreign exchange reserves with the State Bank of Pakistan had declined from $18 billion to below $ 10 billion, bringing the country to the brink of default.

f) Fiscal deficit was at highest level of Rs 2,300 billion

g) Due to poor policies and mismanagement, power sector circular debt had bulged to Rs. 1200 billion despite payment of Rs 485 billion by the previous government.

h) There was no restructuring of Public Sector Enterprises therefore their performance was at the lowest ebb having caused a cumulative loss of Rs. 1300 Billion.

i) Interest rate was kept low to borrow more money from State Bank which badly damaged the banking sector.

j) No measures to combat money laundering and terror financing hence the country was pushed into Grey List

Mr Speaker,

5. We started the current FY 2019-20 to achieve the goals approved by the Parliament. We took appropriate decisions and measures and successfully managed to stabilize the economy. Resultantly, the major economic indicators have much improved during first nine months (July-March) of FY 2019-20 as compared to the corresponding period of 2018-19 as under;

a) In the first 9 months of current financial, Current Account deficit has decreased by 73% from $ 10 billion to $ 3 billion

b) Trade deficit has decreased by 31% from $ 21 billion to $ 15 billion

c) Fiscal deficit reduced from 5% to 3.8%

d) Primary surplus of 0.4% achieved first time in last 10 years

e) FBR revenue increased by 17% and we were on track to achieve the target of Rs 4,800 billion

f) non tax revenue increased by 134 % and against the annual target of Rs 1,161 billion, we will achieve Rs 1,600 billion

g) Higher foreign debts of $ 6 billion repaid against $ 4 billion, however forex reserves remained stable.

h) It is important to note that we have made interest payment of Rs 5,000 billion in the last two years on heavy loans of the past.

i) We have given historic package of Rs 152 billion to the merged district of Khyber Pakhtunkhawa.

j) This government has created around 1 million overseas jobs for Pakistanis which helped in increasing remittances. During first 9 months of this financial year, remittances increased from $ 16 billion to $ 17 billion.

k) Foreign direct investment almost doubled from $ 0.9 billion to $ 2.15 billion

l) Debt management has been improved by shifting 74% of our domestic debt portfolio to long term which resulted in reduction of domestic borrowing rates from 14% to 10%

m) Due to the reforms introduced by our government, Extended Fund Facility of $ 6 billion approved by IMF

n) In December 2019, Bloomberg has ranked Pakistan Stock Exchange as one of the top performing markets of the world

o) Moody’s ratings upgraded from B3-Negative to B3-Positive

6. We maintained financial stability by taking major policy decisions as under;

a) Zero borrowing from SBP for budget financing

b) Exchange rate regime was freed from unrealistic government control and shifted to a flexible market oriented, which stabilized the market and the problem of non availability of foreign exchange was addressed.

c) No supplementary grants were allowed

d) PSDP spending was facilitated by removing the restrictions

e) Debt management was improved which saved Rs 240 billion

f) Existing stock of public guarantees was capped

g) Structural reforms in public entities were introduced to improve efficiency and reduce losses, and where unavoidable their privatization in a transparent manner

h) National Tariff Policy was approved in Nov 2019 with the objective to improve competitiveness, increase employment and remove anomalies in the tariff structure

i) "Make in Pakistan" is the identity of Pakistan in international markets

j) Reforms in energy sector were undertaken to improve efficiency and cut losses

k) During this year, refunds of Rs 254 billion have been issued to the business community which are 125% more than Rs 113 billion issued last year. Moreover an amount of Rs 35 billion was provided to Ministry of Commerce for payment of DLTL claims

Government's Reform Agenda

Mr Speaker,

7. In addition to the above, the Government has undertaken structural reforms in all the critical sectors to improve transparency, efficiency, and accountability. The important areas of reforms are highlighted as under;

Public Finance Management Reforms

8. We have initiated far-reaching public Finance Management reforms which will make the financial management of the federal government more transparent, efficient and

performance based. Public Finance Management Act 2019 has been promulgated under which, the Government has laid Mid-year Budget Review Report in the National Assembly and published Budget Manual, Budget Strategy Paper and a statement of contingent liabilities and a statement of fiscal risks will be part of this year’s Annual Budget Statement. Treasury Single Account rules and procedures have been finalized.

9. We have also initiated reforms in pension system which will save Rs 20 billion.

Austerity and Restructuring of Government

10. The Prime Minister constituted a Task Force on Austerity and Restructuring of Government headed by renowned reformer, Dr Isharat Hussain and comprising experts from public and private sectors. The Task Force has submitted its report with the recommendations to privatize 43 organizations, wind up 8 organizations, transfer 14 organizations to provincial governments and merge 35 organizations. This restructuring would lessen financial burden on the federal government.

11. With launching of flagship program “Ehsas”, the disbursement of amounts to eligible persons has been improved with electronic intervention and utmost transparency has been infused in the system. As a result, 820,000 ineligible beneficiaries have been removed the list of beneficiaries. Moreover, Data Pakistan Portal has been launched for more transparency.

12. 2 RLNG plants which are near to closure, have been revived with the help of professional management.

13. Performance of critical organizations has been improved. As a result, revenues of NHA, Pakistan Post and Karachi Port Trust have increased by 70%, 50% and 17% respectively.

Ease of Doing Business Reforms

14. We have also taken steps to improve the ease of doing business to facilitate the businesses and attract foreign investments. Resultantly, Pakistan's Doing of Business (DB) Ranking has been improved from 136 to 108 out of 190 countries worldwide.

Anti Money Laundering/Terror Financing Reforms

15. In June, 2018 Pakistan was placed under "Grey List" and required to comply with 27 Actionable Points. Out government has put in unprecedented efforts at all levels to improve its AML/CFT regime to meet the requirements of the FATF Action Plan. In this regard, I have been entrusted with the responsibility of National FATF Coordination Committee. A comprehensive process of legislative, technical and operational improvements has been initiated. Significant results have been achieved in the areas of financial sector supervision, investigations, prosecutions and international cooperation

16. Resultantly, we have progressed significantly on 27 actionable items included in FATF Action Plan. Within a period of one year, 14 items have been largely addressed and 11 partially addressed whereas in 2 areas, concerted efforts are being made for implementation.

Corona – Challenges and Response

Mr Speaker,

17. Unfortunately, Corona engulfed the whole world, posing grave socio-economic challenges, especially for the developing countries. Initially conceived as a health challenge, Corona turned out to be an economic threat having the potential of destabilizing the international economic system. Pakistan was no exception and Corona drastically changed the whole scenario and results of our hard work were swept away.

18. Protracted lock down, business closures, travel bans and social distancing resulted in to slowing down of economic activities, thus negatively impacting the growth patterns, fiscal and current account projections and investments. The increasing unemployment caused more poverty in the developing countries.

19. The immediate economic repercussions of Corona for Pakistan during FY 2019-20 are highlighted as under;

a) Almost the whole Industry and retail businesses have been affected

b) Economic growth has reduced by Rs 3,300 billion which brought down GDP growth projection from 3.3% to -0.4%

c) Projection of over-all budget deficit has been revised upward from 7.1% to 9.1% of GDP

d) FBR revenue loss has been projected at Rs 900 billion

e) Non tax revenue of the federal govt has been reduced by Rs 102 billion

f) Exports and remittances have been badly affected

g) Unemployment and poverty has increased

Mr Speaker,

20. The Government stood up to the socio-economic challenge by reaching out to the vulnerable segments of the society and business community to neutralize the negative impact of lock down and unemployment.

Corona Stimulus Package

21. In this regard, the Government has approved a Stimulus Package of more than Rs 1,200 billion. The component of Rs 875 billion has been funded through the federal budget comprising;

a) Rs 75 billion allocated for purchase of medical equipment, protective kits and payments to health workers

b) Rs 150 billion allocated for 16 million vulnerable families and Panagah

c) Rs 200 billion allocated for cash transfer to daily wage workers/employees

d) Rs 50 billion allocated for Utility Stores for provision of subsidized goods

e) Rs 100 billion allocated for FBR and Ministry of Commerce for issuance of refunds to exporters

f) Rs 100 billion allocated for power and gas bill deferral

g) Rs 50 billion for payment of electricity bills of 3 months of 3 million small businesses

h) Rs 50 billion allocated for farmers for fertilizer subsidy, loan remissions and other relief

i) Rs 100 billion allocated for establishment of Emergency Fund

20. The above stimulus package increased expenditure of the Federal Government for which supplementary grants were approved by the Federal Government. Finance Division has arranged and release funds to the respective entities particularly, BISP, NDMA, USC and FBR. We acknowledge and appreciate the services rendered by these entities in implementing the stimulus package.

21. In addition to the above, the Government has given relief to farmers and common man by providing;

a) Tax relief of Rs 15 billion on food and health items

b) Payment of Rs 280 billion to farmers for wheat procurement

c) Price of petrol reduced by Rs 42 per litre and Diesel by Rs 47 per litre which provided relief of Rs 70 billion to the people.

22. We have also provided historic construction sector incentives for economic revival and creation of jobs by introducing a concessionary taxation regime as under;

a) Fixed Tax Regime

b) No WHT on builders and developers (except steel & cement purchases)

c) Source of income shall not be asked

d) Capital Gains tax on one family house exempted

e) 90% tax waived for affordable housing

f) Status of an industry given

23. State Bank of Pakistan has also introduced a number of initiatives for businesses to neutralize the negative impact of closures;

a) Big cut in policy rate by 5.25% from 13.25% to 8%

b) Payroll loan of Rs 96 billion has been given on subsidized interest of 4% for 3 months

c) Principal amount of loan to the tune of Rs 491 billion has been deferred and loans of Rs 75 billion rescheduled in 775,000 cases

d) For households and business, banks have been allowed to lend additional Rs 800 billion with borrowing limit increased and repayment of principal amounts deferred for one year.

e) For Importers and Exporters;

- Extension in time period to meet performance requirements.
- Extension in time period to ship goods, from 6m to 12m.
- Relaxation in conditions for Long Term Financing Facility.
- Realization of export proceeds extended to 270 days
- Exporters can directly dispatch the shipping documents.
- Limits on advance payments for imports increased.

Budget 2020-21

Mr Speaker,

24. Now coming to the next year budget, which is a crisis budget in the backdrop of challenges posed by Corona and the ensuing financial crises. The expected recession during FY 2020-21 due to expected slowing down of economy requires an expansionary fiscal policy without exposing to unsustainable deficit financing.

25. The budget philosophy and strategy for this year budget is highlighted as under;

a) For providing relief to the people, no new tax has been levied.

b) Striking a balance between corona expenditure and fiscal deficit

c) Keeping primary balance at sustainable level

d) Protection of social spending under the *Ehsaas* Program to support the vulnerable segments of the society

e) Resource mobilization without unnecessary changes in tax structure

f) Successful continuation of IMF program

g) Carrying forward of Stimulus Package

h) Keeping development budget at adequate level to inject economic growth.

i) Defence and internal security of the country has been given due importance.

j) Housing initiatives including Naya Pakistan Housing project have been funded

k) Funding for special areas i.e erstwhile FATA, Azad Jammu and Kashmir, Gilgit Baltistan has also been ensured to ensure development

l) The special initiatives led by the Prime Minister like Kamyab Jawan, Sehat Card, Billion tree Tsunami etc have also been protected.

m) Austerity and rationalization of expenditures will be ensured.

n) Subsidy regime will be rationalized to provide targeted subsidy to the deserving segments of the society.

o) NFC award will be revisited. Moreover, the provinces will be asked to fulfill its funding commitment made at the time of merger of erstwhile FATA.

<u>Salient features of the Budget 2020-21</u>

Mr Speaker,

26. The outlay of next year's budget is;

a) Total revenues are projected at Rs 6,573 billion including FBR revenue of Rs 4,963 billion and non tax revenue of Rs 1,610 billion.

b) Transfer to provinces under the NFC Award is estimated at Rs 2,874 billion

c) Net Federal revenue is estimated at Rs 3,700 billion

d) Total federal expenditure has been estimated at Rs 7,137 billion

e) Budget deficit is projected at Rs 3,437 billion which is 7 % of the GDP with primary balance at -0.5%

<u>Sectoral Allocations (current budget)</u>

a) **Protection of Vulnerable segments –**

It's on the top of our agenda to help the poor and vulnerable segments of society. In this regard, a coordinated effort has been made by integrating all relevant organizations through the newly created Poverty Alleviation and Social Security Division.

- **Ehsas –** Budget allocation for this flagship program has been increased from Rs 187 billion to Rs 208 billion, which includes various social safety initiatives including BISP, Pakistan Bait-ul-Mal and other departments. These allocations will be used as per the approved policy of the Government in transparent manner.
- **Subsidies –** An amount of Rs 179 billion has been allocated to provide various subsidies in energy, food and other sectors. The Government has decided to re-orient and redirect subsidies to target the vulnerable segments only.

b) **Higher Education-** Higher education has been adequately funded and allocation for HEC has been increased from Rs 59 billion during 2019-20 to Rs 64 billion.

c) **Housing Sector-** The Government has promised to provide low cost housing units to the masses. In this regard, an amount of Rs 30 billion has been provided to Naya Pakistan Housing Authority for realization of this dream. Moreover, an amount of Rs 1.5 billion has been allocated for low cost housing through scheme of Qarz-e-Hasna of Akhuwat Foundation.

Mr Speaker,

d) **Grants to Special Areas, Provinces-** Fulfilling the financial needs of the special areas is responsibility of the federal government. A sum of Rs 55 billion has been allocated for Azad Jammu and Kashmir and Rs 32 billion for Gilgit Baltistan. For merged district of KPK, Rs 56 billion have been allocated. Moreover, special grant of Rs 19 billion has been provided to Sindh and Rs 10 billion to Balochistan over and above their NFC share.

e) **Remittance Initiatives –** under various initiatives to improve foreign remittances through banking channels and build up foreign exchange reserves, an amount of Rs 25 billion has been allocated

f) **Communication-** To provide cheap transportation services to the people of Pakistan, grant of Rs 40 billion has been allocated to Pakistan Railways

g) **Kamyab Jawan:** Prime Minister Mr. Imran Khan has always emphasized the role of youth for making Pakistan a progressive country. Kamyab Jawan Program is the flagship project of the government to utilize the untapped abilities of the youth. An allocation of Rs 2 billion has been made for this program.

h) **Federal Govt Hospitals:** We have provided funds amounting to Rs 13 billion to Ministry of National Health Services for Federal Govt hospitals located in provinces i.e Sheikh Zaid hospital Lahore and in Karachi, Jinnah Medical Centre, National Institute of Cardiovascular Diseases, National Institute of Child Health, College of Nursing and Basic Medical Sciences Institute.

i) **E-governance:** It's the vision of Prime Minister Imran Khan to improve public service delivery through e-governance initiatives. Under his directions, Ministry of IT has prepared a plan to electronically integrate all the Federal Ministries and Divisions. An amount of Rs 1 billion has been allocated for implementation of this project.

j) **Artists' Welfare:** Artists are precious assets of our country. For their welfare and financial help, we have increased allocation from Rs 250 million to Rs 1 billion for Artist Welfare Fund established under the Cabinet Division.

k) **Special Funds:** The government has established special funds under various reforms. Under public private partnership, Viability Gap Fund with an amount of Rs 100 million, Technology Upgradation Fund with an amount of Rs 400 million and Pakistan Innovation Fund with an amount of Rs 100 million has been established.

l) **Agriculture:** To provide relief to the agri sector and withstand the threat of Locust, funds to the tune of Rs 10 billion have been allocated.

<u>Development Budget 2020-21</u>

27. The Government has set the following objectives to be achieved during 2020-21;

   a) **Economic growth –** Economy will recover from negative growth of -0.4% to 2.1 % of the GDP
   b) **Current account deficit-** will be maintained at $ 4.4 billion
   c) **Inflation-** will be reduced from 9.1 % to 6.5 %
   d) **FDI –** will be increased by 25%

Mr Speaker,

28. The development agenda for this year continues in line with the vision of this government– to achieve higher sustainable growth, reduce poverty, improve infrastructure and ensure food, water and energy security. The total development outlay of federal and provincial governments is Rs 1,324 billion.

PSDP

29. Public Sector Development Program is one of the tools for achieving development objectives for which an amount of Rs. 650 billion has been allocated. Keeping in view financial crunch due to COVID, 73% funds have been allocated for on-going projects to avoid any cost escalation and 27% for new projects. However, special focus is on social sector projects for which allocations have been increased from Rs 206 billion to Rs 249 billion. The provisions of PFM Act 2019 have been taken into consideration. Let me highlight allocations under the major sectors;

Corona Responsive and Other Natural Calamities Program

The government has formulated a special development program to neutralize the negative impact of corona and other calamities on human life and to improve quality of the people, for which funds amounting to Rs 70 billion have been allocated.

Energy/Power

30. Focus remained on projects of power expansion and improving transmission and distribution system to minimum circular debt. Projects for supply of power to Special Economic Zones and foreign funded projects have been financed adequately. This year, the government has allocated over Rs. 80 billion. These funds are especially targeted towards bridging the gap between electricity demand and generation.

Water Resources

31. Pakistan is already facing acute water crisis. This year, the government is placing special emphasis on water related projects and has allocated Rs. 69 billion. The large multipurpose dams particularly Diamer Bhasha, Mohmand, Dasu Dams etc have been adequately funded.

National Highways & Railways:

32. The completion of ongoing projects under NHA promoting industrial linkages, trade and commerce has been given priority. Especially projects under CPEC including the Western Route have been adequately funded. Likewise, the ongoing projects of Railways for improvement of regional/provincial connectivity including ML-1 have been funded. For this year, the government is allocating Rs. 118 billion to National Highways Authority, and Rs. 24 billion to Railways for the development of their infrastructure including ML-1. For other communication projects, an amount of Rs 37 billion has been allocated.

Health & Population

33. Health sector remained priority in the wake of COVID-19 and funds amounting to Rs 20 billion have been allocated to provide improved health services, prevention and control of communicable diseases, production of medical devices and capacity enhancement of health institutions. In addition to COVID-19 responsive initiatives, the focus would be on ICT solution to improve health services. Nevertheless, the provincial governments would play role in achieving these objectives.

Education

34. We have funded projects for improvement of education system through development of uniform curriculum, standard examination system, establishment of smart school and mainstreaming of madaris. An amount of Rs 5 billion has been allocated for these reforms. Moreover, higher education is one of the priority sector of the government to meet the challenges of 21st century quality education in the fields of research and other advanced areas like artificial technology, robotics and automation, space technology. An amount of Rs 30 billion has been allocated to achieve excellence in education.

Science & Information Technology

35. To train the manpower in the emerging technologies, knowledge economy initiatives etc it is imperative to enhance the capabilities of researchers and research institutes. Moreover, focus is on e-governance, IT enabled services and start ups and launching of 5G cellular services. For projects in these fields, allocation of Rs 20 billion has been made. Under Public Private Partnership, projects in the field of chemicals, electronics and Precision Agriculture will be implemented and the linkage between R&D and industry will be strengthened.

Climate Change

36. With the evolving global perspective on Climate Change, Pakistan is also adapting itself. Climate Change is responsible for the many shifting trends in Pakistan including off-season rains, shift in crop yields and heavy flooding. This year, the government is allocating Rs. 6 billion to Climate Change initiatives.

Special Areas

37. In addition to the allocations under current budget, the government has allocated development funds of Rs. 40 billion for projects in Azad Kashmir and Gilgilt Baltistan. Moreover, an amount of Rs 48 billion is allocated for projects in merged district of KPK.

Sustainable Development Goals Programs

38. To achieve Sustainable Development Goals, an amount of Rs 24 billion has been allocated in the development budget.

Food & Agriculture

39. For food security and agriculture, an amount of Rs 12 billion has been allocated.

Other Development Programs

40. In addition to the allocations under PSDP, special funds amounting to Rs 20 billion have been allocated for management of TDPs in merged districts of KPK. Whereas for rehabilitation of Afghanistan, an amount of Rs 2 billion has been allocated.

Part II

Taxation

Mr. Speaker,

1. Now I present Part II of the speech, which consists of tax proposals.

2. Today Pakistan's tax-to-GDP ratio stands at 11% which is the lowest among emerging countries. Regrettably this key indicator of fiscal strength has remained stagnant over the past 20 years. To improve this situation, we initiated a reform process, comprising of holistic strategy combining policy and administrative reforms to eliminate the distortions and boost quality revenue collection. The efforts have so far produced encouraging results with a promising future. Following key achievements have been made during the year:

- The historical trend of Pakistan's import-led growth has been replaced with high domestic-led growth.

- Unprecedented refunds have been issued which are 119% higher than last year
- The narrow tax base has been expanded by bringing retailers into the tax net, and successful installation of Point of Sales (POS) system at 6,616 retail outlets with the aim to increase the number to 15,000 by December this year. Covid 19 has affected the business of common man, it is proposed to decrease sales tax rate from 14% to 12 % for business registered with POS. This will give relief to common man and to business also. The measure will help in documentation of economy.
- Hotel and restaurant industry has been badly effected due to Covid-19. It is proposed that minimum tax for the industry may be reduced from 1.5% to 0.5 % for six months (April to September 2020)

- A tax return mobile app has been launched to facilitate individuals and salaried persons, which led to an increase of 37% in the number of income tax return filers.
- An automated system of payment of taxes through online platforms has been introduced.
- Successful anti-smuggling and enforcement drives have been carried out which led to increase in seizures from Rs.19 billion to 30 billion.

3. By the grace of Allah, the revenue collection during the pre-covid period has also been commendable. The domestic taxes witnessed a growth of 27% and collection from import grew by 7%. But the expected growth in revenues was marred initially by the structural adjustments in the economy and then by the pandemic which has indiscriminately affected all countries of the world. Resultantly, the revenue target for Finance Year 2020 of Rs. 5,503 billion which was revised to Rs. 4,801 billion in view of policy induced import compression was further revised downwards to Rs. 3,908 billion. However, this did not deter us from taking steps to avert possible economic shocks of this pandemic.

4. There was economic meltdown, due to lockdown and reduction in economic activities and Covid-19 Pandemic. To control the unemployment and economic meltdown, PM Imran Khan has announced a relief package of Rs.1200 Billion. Due to this pandemic tax collection become extremely difficult. Loss in revenue collection was estimated around Rs. 900 Billion on this account. Keeping in consideration this situation target of FBR were further reduced to 3900 Billion Rs.

5. Meanwhile, a fixed tax regime was introduced for small to medium traders. In addition to this a stimulus package for the construction sector was announced. It is expected that the timely adoption of this package shall secure livelihoods for daily wagers, spur economic activity, and provide low-cost housing for the underprivileged under the Naya Pakistan Housing Programme.

Mr. Speaker,

6. We have proposed policies that would shift from support to stimulus as we seek to revive our economy, and eventually to fiscal consolidation once the economy has recovered and capable to generate required public finances. Budget 2020-21 has been framed to reduce business failures and to mitigate the sufferings the people. Therefore, we are presenting, what can be termed as, a 'relief budget'.

Customs Act, 1969

Mr. Speaker,

7. I shall now present the changes proposed in the Customs Act, 1969. To start with, it gives me immense pleasure to announce that payment of export rebates is being fully automated for direct payment to exporters' bank accounts without any human interference. Rebate schemes are also being revised after almost a decade and simplified by calculating rebate claims at 4 & 6-digit levels.

Duty Free Raw Materials

8. Last year a comprehensive customs tariff reforms exercise was initiated by this government and more than 1600 tariff lines constituting thousands of raw materials were exempted from customs duty. Continuing our efforts to reduce input costs of industrial sectors, it is being proposed that raw materials may also be exempted, which will make them completely duty free. These items include the raw material used in chemicals, leathers, textile, rubble and fertilizers. These tariff line consists of 20,000 items which are 20% of all imports.

Reduced Rate of Customs Duty on Around 200 Tariff Lines

9. Rate of customs duty on around 200 tariff lines consisting of raw materials and intermediate goods is being proposed to be reduced from 20%, 16% and 11% and 3% to 11%, 3% and 0%. These items include Bleaching, Rubber and raw material for certain domestic use.

Encouraging Domestic Engineering Sector

10. To encourage domestic engineering sector, reduction of Regulatory Duty on Hot Rolled Coils (HRC) is proposed to be reduced from 12.5% to 6%.

Proposals to Discourage Smuggling

11. During recent past, various items were subject to prohibitive regulatory duties. While this policy succeeded in creating import compression, some of these items shifted in transit for Afghanistan and found their way back into Pakistan's economy through smuggling. It is proposed that regulatory duty on items like fabric, sanitary ware, electrodes, blankets, pad locks may be reduced to discourage their smuggling and realize the lost revenues on this account.

Support for Poor Strata of Society

12. To reduce health related costs of poor strata of our population, all duties and taxes are proposed to be exempted on diagnostic kits for Corona virus and Cancer. Similarly, special food supplements (dietetic foods) for children with genetic birth problems are proposed to be exempted from all duties and taxes at import stage to reduce their cost.

Exemption of Customs Duties on Raw Materials Used in Manufacturing Supplementary Foods

13. Child malnourishment and consequent growth stunting has been a major focus area of our government. Supplementary foods for children and expecting

mothers are now being manufactured in Pakistan under World Food Program. In order to widen the scope of coverage of this program, exemption of customs duties on raw materials used in manufacturing of these supplementary foods is being proposed.

Curtailing the Discretion of Adjudicating Authority

14. To rationalize the punishments for smuggling, provision of minimum punishment is also proposed to be introduced to do away with excessive discretion exercised by adjudicating authorities.

Inclusion of Advance Ruling in Customs Law

15. It is a proven fact that transparency and predictability in government policies encourage investments. The concept of Advance Ruling is, thereby, proposed to be included in the customs law which will also be in line with international best practices.

Sales Tax & FED

16. I shall now present the proposals in Sales Tax Act, 1990 and Federal Excise Act, 2005.

Relief Measures

Increase in the Threshold of Supplies to Unregistered Persons for Obtaining CNIC

17. To broaden the tax base, the condition of CNIC was introduced in Finance Act 2019, since persons involved in furtherance of taxable activity need to be captured through such measures. However, in order to ease compliance cost, it is being proposed that the threshold may be enhanced from Rs. 50,000 to Rs. 100,000.

Exemption to Import of Dietetic Foods Intended for Special Medical Purposes

18. On the request of the Ministry of National Health Services exemption is proposed to be granted to the import of Food for Special Medical Purpose (FSMP) for the children suffering from Inherit Metabolic Syndrome whereby the body is unable to process the food a normal child can. For this purpose, a new serial is being added to the Table 1 of the Sixth Schedule to the Sales Tax Act 1990, with the condition that such exemption is available on import only.

Extension of Exemption on Import of Covid-19 Related Health Equipment

19. The federal government granted exemption on import and subsequent supply of health equipment related to Covid-19 through SRO. 237 dated 20.03.2020 for a period of three months. In view of the worsening situation of the pandemic this exemption is proposed to be extended for three months.

Removal of Anomalies

Streamlining Eleventh Schedule to the Sales Tax Act 1990

20. In order to effectively enforce the withholding sales tax regime, it is proposed that the Eleventh schedule may be substituted so as to provide for deduction of the whole of the tax involved in case the supplier is unregistered or is a Non Active Taxpayer. This will guarantee return filing culture in the country.

Measures for Public health

Increase in the Rate of FED on Imported Cigarettes and Tobacco Substitutes and Electronic Cigarettes

21. FED on imported cigarettes, cheroots, cigarillos, cigars and other tobacco substitutes is being enhanced from 65% to 100% in line with WHO (World Health Organization) standards. Necessary changes are also proposed to be made in Table 1 of the First Schedule pertaining to aforesaid items to cover for tobacco substitutes as well as E-cigarettes.

Increase in the Rate of FED on Filter Rods

22. Filter rod is a basic input material for cigarette manufacturing. Present rate of FED is Rs.0.75 per filter rod. To enhance the effect of monitoring and enforcement on tobacco consumption and tax management, it is proposed that the existing rate be enhanced to Rs.1 per filter rod.

Increase in the Rate of FED in the Case of Energy Drinks

23. Caffeinated Energy drinks are health hazard, hence to reduce the consumption of such drinks it is proposed that the FED may be increased from 13% to 25% both at import and at local supply. It may be noted that aerated waters are already subject to FED @13%

Increase in the Rate of FED in the Case of 4x4 Double Cabin Pick Up

24. FED structure is already in place for both local and imported motor cars and SUVs excluding auto rickshaw falling under the PCT heading 87.03. Double cabin pick up which is currently classified as goods transport vehicle is being reclassified as passenger transport vehicle, which will bring it in the ambit of FED @ 7.5% ad valorem in case of locally manufactured vehicles and @ 25% in the case of imported ones.

Increase in the Rate of Potassium Chlorate

25. Sales tax is charged on standard rate of 17% on import and local supply of Potassium Chlorate and in addition to that Rs 70 per kg is also collected. On the recommendation of the Match manufacturers association the rate of Rs. 70 per kg

is being enhanced to Rs. 80 per kg. Provided that rate of rupees 70/80 per kilogram is not applicable on imports made by and supplies made to organizations under the control of Ministry of Defense Production.

Streamlining Measures

Mr Speaker

26. The following measures are proposed to be adopted to streamline the tax system:

27. FBR has introduced Point of Sales Registration System for retailers. Sales of these retailers is directly automated with FBR. At present sales tax is charged @ 14% on the retailers registered with Point of Sales. Covid 19 has affected the business of common man, it is proposed to decrease sales tax rate from 14% to 12 % for business registered with POS. This will give relief to common man and to business also. The measure will help in documentation of economy.

Limit of Wastage of Raw Material

28. Many business claims wastage more than the average wastage Ration of the sector and pay less sales tax. To discourage this practice, it is proposed to introduce Sector Wise Limit of Wastage Ratio.

Widening the Scope of Section 73-Transactions Not Admissible

29. To widen the tax base through policy measures Section 73 was amended to make it binding upon the manufacturers only to make supplies to the unregistered person up to Rs.100 million in a financial year only. It is now being proposed that all the registered suppliers be made liable to the aforesaid threshold so that only

manufacturers should not be singled out. The end consumers are not affected by this provision.

Amendment in the Twelfth Schedule to Sales Tax Act, 1990- Exclusion of Manufacturers

30. The Twelfth schedule provides for the collection of Value Added Tax (VAT) @ 3% at the time of import. However, in the case of raw materials and intermediary goods exclusion from the purview of the VAT is only available in case the Customs duty involved is less than 16%. This provision has created hardship for the manufacturers, hence it is proposed that the language be made simple and raw materials and intermediary goods be excluded if imported by the manufacturers for in house consumption.

Power to Seize and Confiscate in the FED Act 2005

31. It is proposed that the scope of seizure and confiscation as provided in the FED Act 2005 be widened to cover all dutiable goods for effective enforcement by the field formations of the FBR

Power of Tax Authorities to Modify Orders

32. To align the Sales tax and FED law with the provisions of the Income Tax Ordinance 2001, it is proposed that the Commissioner IR may be empowered to modify the original assessment order pending adjudication in the light of the question of law decided by the higher courts even if he has preferred appeal against such order. A new section 11C is proposed to be added after Section 11B and a new section 14C to be added in the FED Act 2005.

Restructuring the Provisions Related to the Alternate Dispute Resolution

33. In order to give more transparency and competitiveness to the process of appointment of members of ADRC committee, giving more power and recognition

to the decision of the Committee and making it optional for the taxpayers to withdraw appeal, which is pending before any other forum of appeal under Section 47A of the Sales Tax Act and Section 38 of the FED Act 2005, following amendments are being proposed:

- It will be binding on the Board to communicate the order of the Committee to the Appellate forum, where the appeal was pending;
- It will not be binding upon the aggrieved person to withdraw appeal pending before an appellate forum;
- Two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen can be members of the Committee;
- Stay on the tax demanded on the issue before the ADRC will be available from the date of appointment of the committee;
- Order of the Committee shall be binding upon the Commissioner when the taxpayer withdraws appeal within sixty days of the communication of the order.

Insertion of The Tax Laws Amendment Ordinance 2019 Relating to Tax Concessions and Exemptions to Gawadar Port and Gwadar Free Zone, in The Finance Bill 2020

34. Tax Laws Amendment Ordinance 2019 pertaining to Gwadar Free Zone was assented by the President of Pakistan on 6-10-2019. All the provisions of the Bill are being inserted in the Finance Bill 2020, the clauses of which wherever appearing in the Bill are proposed to be take effect from 1st June 2020.

Enlarging the Scope of Seizure of Non-Duty Paid Items Subject to FED

35. In view of the increasing trends of non-duty paid products and illicit manufacturing of the items and products subject to FED it is proposed that all such products which are subject to Federal Excise Duty besides cigarette, beverages, if seized on account of non-duty payment will be subject to seizure. Amendments in section 26 & 27 of the FED Act are being proposed

Amendment in the Ninth Schedule – Sales Tax on Mobile Phones

36. The Ninth Schedule was inserted in the law through the Finance Act 2014. On the recommendation of the ECC of the Cabinet and its subsequent ratification by the Cabinet the smart phones are being excluded from the slab given for phones up to the value of US $30. While the importers importing the smart phones up to the value of US $30 will pay tax in the upper slab i.e. @ Rs 200 per set.

Concept of Conducting Audit Proceedings through Electronic Means

37. A novel and much needed concept of conducting hearings through video links is being proposed in the statute. It would be of more importance in the context of Coved 19.

Real-Time Access to Information and Databases to the Board

38. New sections are being added in both the Statutes whereby various authorities are being supposed to give access to the Board for online sharing of data in their respective databases.

Income Tax

Mr. Speaker,

39. I now present the proposals relating to the Income Tax:

Proposal for Ease of Doing Business

Simplification of the Withholding Tax Regime

40. At present, the withholding tax regime is extensive which not only complicates the monitoring of withholding taxes but also increases cost of compliance for taxpayers. Therefore, in an effort to simplify withholding tax regime, it is proposed that 9 withholding sections may be omitted, while 5 may be amalgamated.

Reduction in Tax Withheld from Offshore Supplier under an EPC Contract

41. The current withholding tax rate of 30% on non-residents is too high as it presupposes attribution of 30% income of the plant and equipment manufactured outside Pakistan. Therefore, it is proposed to be rationalized which is also in line with the international best practices. Such measure shall aid in facilitating CPEC projects and rationalizing the incidence of tax upon them.

Rationalizing Tax on Imports

42. To provide a level playing field to commercial importers viz-z-viz manufacturers, remove distortions in the incidence of income tax on the import of capital goods and raw materials, plug revenue leakages, and facilitate manufacturing by SMEs, a paradigm shift in the current regime is proposed to be introduced by shifting from person-specific rates to goods specific rates according to the type of goods, with tax @1% for capital goods, 2% for raw materials and 5.5% for finished goods irrespective of status of the importer.

Increase in Threshold of Section 21(l)

43. In order to promote ease of doing business and reduce compliance cost for taxpayers running businesses the threshold per transaction delineated under section 21(l) is proposed to be increased from Rs. 10,000/- to Rs. 25,000/-. Similarly, the threshold of payments under a single account head liable to disallowed as a business deduction /expense under section 21(l) is proposed to be increased from Rs.50,000/- to Rs.250,000/-. Accounts of employees under section 21(m) is proposed to be increased from Rs. 15,000/- per month to Rs. 25,000/- per month.

Enabling Adjustability 0f Property Expenses for All Individuals/AOPs

44. In order to provide a level playing field to all individuals and AOPs, and remove distortion in the taxation of property income derived by individuals and AOPs, the option of claiming expenses is proposed to be accorded to all individuals and AOPs irrespective of their property income if they choose to pay applicable taxes.

Encouraging Foreign Remittances

45. To encourage foreign remittances, it is proposed that withholding tax on cash withdrawal or on issuance of banking instruments / transfers from a domestic bank account to the extent of remittance amount received from abroad in such account in a year may be exempted.

Promoting Investment in Overseas Pakistanis Savings Bills

46. To promote investment in Overseas Pakistanis Savings Bills by individuals, a new debt instrument is being issued by State Bank of Pakistan on the pattern of SCRA. It is proposed that tax exemption may be provided to such NRAR accounts.

Centralized Income Tax Refunds

47. Presently, income tax refunds are verified, processed and issued manually through a refund voucher to be signed by the respective officers in the relevant field

formation. This system is outdated and prone to corruption due to manual process involving contact between the taxpayer and the refund issuing tax officers. Therefore, to promote transparency and induce efficiency in the manner of issuance of income tax refunds, it is proposed that issuance of centralized Income Tax refunds may be enabled.

Exemption Granted to Hajj Operators

48. To facilitate Hajj Group operators, they are proposed to be exempted from the requirement of deducting tax under section 152 whilst making payments to non-residents.

Explanation Regarding Vehicles Up to 200cc Excluded from the Ambit of Advance Tax

49. To prevent incidence of tax on lower strata of society, an explanation is proposed to be added to the definition of "motor vehicle" so that it is clarified that advance tax u/s 231B and 234 is not liable to be collected on motor vehicle/small private vehicle up to engine capacity of 200 cc. The explanation aims to provide relief to the lower strata of the society.

Tax Collection against Auction to be collected in Installments

50. Currently, the advance tax under section 236A is to be collected "at the time of sale of auction". The intent of the law regarding collection of advance tax in installments from purchaser can be discerned from subsection (3) of section 236 which allows installments in case of immovable property. However, in order to remove ambiguity an explanation is proposed to be inserted to clarify that the advance tax u/s 236A is collectable in installments.

Enhancement of Turnover Threshold to Make AOPs or Individuals Withholding Agents for Deduction u/s 153(1)

51. Currently every prescribed person is required to withhold tax at the time of payment for sale of goods; or providing or rendering of services; or execution of contract. In case of individuals and AOPs, "prescribed persons" are those having turnover of Rs. Fifty Million or above. In order to provide relief to small taxpayers and to promote ease of doing business, the limit of turnover is proposed to be enhanced from Rs. 50 million to Rs. 100 million.

Prompt Issuance of Exemption Certificates

52. For the ease of doing business, and to facilitate public listed companies and point-of-sale (POS) Integrated Enterprises, it is proposed that facility may be provided to such entities of obtaining exemption certificate within fifteen days of filing of application failing which the certificate will be automatically issued through the system.

Negotiated Assessment

53. Currently, there is no mechanism in place to resolve a dispute before finalization of assessment. It is, therefore, proposed that where a taxpayer is of the opinion that the assessment intended to be amended is not in accordance with the provisions of law or facts of the case, he may approach the Assessment Oversight Committee for resolution of his dispute. Enabling negotiated assessment will facilitate taxpayers and prevent revenue from being stuck-up in litigation.

Strengthening Alternate Dispute Resolution Mechanism

54. To promote the use of alternate dispute mechanism and reduce litigation, it is proposed that the decision of ADRC may not be binding upon the aggrieved

person. The ADRC's decision will become binding only when the aggrieved person will be satisfied with its decision.

Streamlining Mechanism of Exemption

55. To clearly delineate criteria for grant of exemption certificates under various withholding tax sections, the mechanism of exemption is proposed to be streamlined. This mechanism includes elimination of certain discriminatory exemptions. Further, in the interest of ease of doing business, the facility of obtaining exemption certificate against certain withholding taxes collected as advance tax under Chapter XII is proposed to be extended to such persons who have discharged their advance tax liability for the tax year.

Educational Institutions

56. To increase deter noncompliance to laws, it is proposed that persons not appearing on ATL may be subjected to 100% higher rate of tax deducted by educational institutions on annual fee exceeding Rs. 200,000/-

Incentivizing Development REIT Scheme

57. To incentivize development and construction of residential building through REIT scheme, profit realized from sale of immoveable property is exempted from tax if sold with object of development and construction of residential buildings till 30th June 2020. It is proposed to be extended until 30th June 2021.

Proposals for Taxation of PEs of non-residents

Tax Treatment of PEs with Respect to Services

58. Services are subject to deduction of advance tax at the rate of 8% but certain sectors are liable to deduction at reduced rate of 3% due to low profit margin. However, PE of non-residents have not been provided this benefit, which appears discriminatory. Therefore, to remove the distortion and bring about parity between PEs of non-residents and resident taxpayers, the rate of deduction of advance tax on these services is proposed to be 3% for PEs of non-residents.

Concessions to Special Economic Zones

59. To encourage setting up of enterprises in SEZs and to stimulate investment and manufacturing, it is proposed that concession and exemptions available to the developers of SEZs may be extended to co-developers.

Reduction in Rate for Toll Manufacturing

60. At present, the rate of tax on toll manufacturing is 8%. It is proposed that the rate may be specified at 4% for companies and 4.5% in other cases. This measure would ensure that effective tax rate is not unreasonably higher than the normal tax rates.

Streamlining Applicability of the Tenth Schedule for Non-resident and PE of Non-resident

61. For the sake of simplification of law and promoting ease of doing business, it is proposed that only PE may be subject to enhanced rate of tax deduction under the Tenth Schedule even if the payment is received on account of sale of goods which did not make them liable for deduction under tenth schedule previously and non-resident taxpayer as recipient of payment are to be exonerated from the provisions of the Tenth Schedule.

Measures for Broadening of the Tax Base and Enforcement Enablers

Electricity Expense Treatment

62. As an attempt to broaden tax base, it is proposed that electricity expense may be treated as an admissible business deduction subject to certain conditions.

Industrial Undertaking Supplying to Unregistered Persons

63. To broaden tax base and encourage documentation it is proposed that business expense under section 21 for an industrial undertaking making supplies to an unregistered person may be disallowed.

Maintaining Information Integrity

64. To ensure authenticity and integrity of registration information, it is proposed that updating and/or validation of taxpayers' profiles be made a condition for appearing on the ATL. The amendment will help in achieving and maintaining information integrity.

Real-Time Access to Databases of Certain Organizations

65. In order to consolidate tax relevant information from third party sources and to enable AI and analytics based automatic detection of tax evaders, it is proposed that automatic and on demand information may be furnished through various entities to bolster efforts for broadening of the tax base.

Automated Adjusted Assessment

66. The filing of return which is deemed as assessment by fiction of law has created technical complications. It is, therefore, proposed that the returns filed by the taxpayers should be initially processed within six months of filing of return by making adjustments for any arithmetical errors, any incorrect claims, any

deductions, tax credits or losses which are not allowable under the Ordinance. Such processing is proposed to be done automatically through the system.

Audit On the Basis of Benchmark Ratios

67. To determine the real income of taxpayers, it is proposed that production and sales may be determined according to benchmark ratios and estimating revenues. This is in line with the best international practices, and will help expedite assessment processes and bring efficiency to the system.

E-Audit

68. To make the process of audit more effective, it is proposed that e-audit assessment may be introduced. In addition, audit may also be conducted through video link and other online facilities.

Advance Tax Collection on Minerals

69. To enlarge the scope of withholding and to monitor economic transactions by all persons in this realm, it is proposed that the collection of advance tax on minerals under section 236V may be extended to persons on the ATL.

Measures for Removal of Distortions

Facilitating Banks

70. Currently, there are different rates applicable with respect to profit on debt. However, banks do not have the required mechanism to impose differential rates on persons receiving aggregate profit on debt of up to Rs. 500,000 per annum and above. Therefore, a uniform rate of 15% is proposed for withholding tax on profit on debt.

Minimum Tax on Permanent Establishments of Non-Resident Persons

71. Minimum tax under section 113 is currently levied on resident companies, individuals and AOPs. Therefore, persons other than resident companies, AOPs and individuals fall outside the ambit of minimum tax**.** It is proposed that the scope of levy of minimum tax be extended to persons other than resident individuals, AOPs and companies.

Rationalization of Cost of Transport Vehicle for Deduction for Business Income

72. In certain cases, costly vehicles are taken on lease and heavy deductions are claimed to reduce tax incidence. An amendment is, therefore, proposed to introduce an upper limit of Rs. 2.5 Million on cost of transport vehicles not plying for hire.

International Best Practices

Rationalizing Depreciation Deduction Based On the Half Year Rule

73. To discourage the practice of purchasing assets at the year end and claiming full year's depreciation, it is proposed that half-year rule for depreciation deduction as per international best practices may be introduced.

Base Erosion Profit Shifting

74. To prevent base erosion and profit shifting, it is proposed to limit deduction of interest expense to foreign affiliates as per recommendation of BEPS Action 4.

FATF Requirements

Donations to Certain Entities Exempted

75. To ensure traceability of donations and to avoid money laundering, it is proposed that donations made to certain entities under clause (61) of the Second Schedule may be treated as exempt, subject to certain conditions w.e.f. 1.7.2020.

Income of Certain Entities Exempted

76. To ensure that documentation requirements for NPO status are fulfilled, it is proposed that the income of certain entities under clause (66) of the Second Schedule may be exempted from tax, subject to fulfillment of conditions required for hundred percent tax credit under section 100C of w.e.f. 01.07.2021.

Strengthening Compliance Regime of Non-Profit/Welfare Organizations

77. It is proposed that non-profit organizations (NPOs), trusts and welfare institutions, in order to be eligible for hundred percent tax credit may, also be required to file a statement of voluntary contributions and donations received in the preceding tax year. Further, the definition of 'NPO' may be amended to include only such organizations under the ambit of the definition, provide activities for the benefit of general public.

78. Surplus funds of the NPOs, which are not spent during the year for welfare, are taxed at the rate of 10% with certain exclusions. One such exclusion is funds which could not be spent due to any obligation or restriction placed upon the NPO by the donor. However, where the donor is an associate of the NPO, such a restriction can be a mechanism to shift profit to the NPO. It is, therefore, proposed that the above exclusion may not apply in case the donor is an associate of the NPO.

Technical and Procedural Measures

Ensuring Partial Realization of Demand

79. To substantial demands being remain unpaid for a long period of time after finalization of assessment it is proposed that after the appeal has been decided by the first appellate authority, the second appeal before the Appellate Tribunal be made conditional on payment of ten percent amount of tax demand upheld by the Commissioner (Appeals).

Permission of the Commissioner for Revising Wealth Statement

80. It is proposed that revision of the wealth statement be made conditional to the Commissioner's approval, as in case of return of income. Further, the revision may be restricted to the time limit for amendment of assessment i.e. five years from the end of the tax year to which it relates.

Furnishing of Information for Computation of Advance Tax

81. In order to automate the computation of advance tax through the IRIS system, it is proposed that the taxpayers be required to furnish information pertaining to taxes deducted from them in a prescribed format so that the system can automatically grant credit of taxes already paid by them and reduce advance tax liability to the extent of taxes already paid. Further, to enable the system to automatically compute advance tax liability, it is proposed that such taxpayers be required to furnish, through IRIS system, their turnover for the quarter by the 5th day of the month in which advance tax is to be paid.

Aligning Holding Periods of Property for Capital Gains and Withholding Taxes

82. To align the holding period of capital gain with the holding period for collecting withholding tax, it is proposed that holding period for collecting

withholding tax on sale of property be reduced from five to four years in case of constructed properties and the holding period for collecting withholding tax in the case of open plots be increased from five to eight years.

Exemption from 100% Higher Withholding Rates for Non-Residents

83. Due to treaty limitations, it is proposed that 100% higher rates for not appearing on ATL may be withdrawn in case of payments to non-residents for royalty, fee for technical services, insurance premium, reinsurance premium and other payments.

Extension of Presumptive Tax Regime for Persons Engaged in Business of Shipping

84. Presently, for resident persons engaged in the business of shipping, presumptive income tax is in force till 30th June 2020 under section 7A. It is proposed that the applicability of the said section may be extended up to Tax Year 2023.

Simplifying Declaration of Income

85. Under the current law, a person whose income is subject to final tax is required to furnish a statement u/s 115(4) instead of a return of income u/s 114. In order to simplify the tax law for compliance purposes and to promote ease of doing business, it is proposed that the statement declaring income subject to final tax may be incorporated as a part of the return u/s 114(2).

Revision of Prescribed Fee Structure for Appeals Filed to Commissioner (Appeals)

86. The prescribed appeal fee structure has been static since the Finance Act, 2009. Therefore, to account for inflationary impact, it is proposed that for companies the rate may be increased to Rs. 5,000/-; for other cases (if appeal is filed against assessment order) to be Rs. 2,500/-; whereas, in all other cases, it may be specified at Rs. 1,000/-.

Revision of Prescribed Fee Structure for Appeals Filed Before the Appellate Tribunal

87. The prescribed fee for appeals against the orders of the Commissioner (Appeal) is Rs. 2,000/-. The fee structure has not been revised since the Finance Act, 2009. Therefore, to account for inflationary impact, it is proposed that the prescribed fee may be enhanced from Rs. 2, 000/- to Rs. 5, 000/- in case of companies and specified at Rs. 2, 500/- in all other cases.

Explanation Regarding Renewal of Licenses and Payment By Installments In Case of Sale Of Property By Auction

88. It is proposed that for the sake of clarity, explanation may be provided that sale by public auction or auction by tender includes renewal of license previously sold through public auction or auction by tender, and that where payment is received in installments, advance tax is to be received with each installment.

Tax Collected on a Lease of the Right to Collect Tolls shall be Minimum Tax

89. Section 236 requires collection of advance tax at the time of sale by public auction or auction by tender of any property. Award of lease including lease of the right to collect tolls has been incorporated in the Ordinance for purpose of collection under subsection (1). The same is treated final tax on transaction. Income tax is direct tax which is charged on actual income arising from transaction and its collection in indirect mode on transaction is required to be phased out. As a step to move towards this goal, tax collectible on the lease of the right to collect toll is proposed to be made minimum tax.

Filling of withholding statements under section 165 on Quarterly basis

90. In to effect qualitative aspect of monitoring process, the statements are proposed to be furnished quarterly basis from current bi annual basis.

Incorporation of Recovery Power under Sales Tax Act 1990.

91. To make recovery process more efficient and effective, law as envisages in Sales tax, is proposed to be incorporated in Income Tax Ordinance 2001.

Relief in Sales of Property Income

92. There is a proposal to give relief in capital gain from the sale and income of immovable properties. It is proposed that holding period may be reduced from 8 years to 4 years. Rate of capital gain tax shall be reduced by 25% every year.

Mr. Speaker,

93. I conclude my speech with the prayer that may Allah give us the strength to sail through these challenging times with perseverance and fortitude and with the hope of unconditional support and cooperation of this august house for a greater cause.