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**Proposals for Budget 2011 presented
at Institute of Chartered Accountants
Karachi.
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What needs to be Done.

- Increase In Tax Base.
 - Bring the 'untaxed' into the Tax Net.
 - Reduce Exemptions.
- Taxation..... Across the Board.
- Reduce Multiple Tax Collection.
- Plug the loop holes.
- Rationalization of Tax Rates.
- Tax Collected to be spent on the common man.



Income Tax.....continued.

Section 4A of the Ordinance (Surcharge).

- The levy should be reduced to 5%.
- Appropriate Amendments be made to apply for a particular period.
- Should not be made as a permanent legislation (as it seems to be).
- Clarification required.



Income Tax.

Salary Income Is The Most Taxed.

- The rates should be re-visited.
- All the income received is taxed.
- Even employer related benefits are also taxed. (Clause 53A of 2nd Sch.)
- Tax Credit for Medical & Education Expense be allowed.
- Contribution to Provident Fund.



Income Tax.....continued.

- The Provisions of Section 111 be amended and the immunity allowed to foreign exchange remittance received through normal banking channels be removed.
- Home remittances and other proven transactions be allowed.
- Tax Amnesty Schemes be avoided.

(SRO 288(I)/2011 April 01, 2011)



Income Tax.....continued.

Minimum Tax.....Section 113.

- Tax rate to be reduced to 0.5%
- Increases extra burden on the taxpayer already having suffered loss or sustained loss.



Income Tax....continued.

Section 122 of the Ordinance.

- Limitation provided to initiate the proceedings.
- No limitation provided for completion.
- One year from the end of the June 30th in which it was issued.



Income Tax.....continued.

- The Provisions of Section 122A of the Ordinance be amended to allow the taxpayer to move a Revision Application.
- Allows an extra form of remedy and that too a quick one.
- Beneficial for Department in settlement of issues.



Income Tax.....continued.

Section 130 of the Ordinance.

- Accountant Members for the Appellate Tribunal.
- Be transferred to Ministry of Law.
- Option be given to all those who want to move into the career on Judicial side.
- Brings Independence to Appellate Forums.



Income Tax.....continued.

Section 137 of the Ordinance.

- Time for Payment of tax after assessment.
- Initially 30 days.
- Now 15 days; even less.
- Reasonable time to be allowed.
- First Appeal be made the basis.
- Reduce Arbitrary assessments.



Income Tax....continued.

- Income of Federal; Provincial & Local Governments are Exempt.
- FTN have been issued but to limited number.
- Comprehensive list of Free Tax Numbers be issued to make it easy for withholding agents to not to withhold if payment made to a person holding FTN.
- Appropriate amendment in Section 159



Income Tax....continued.

Section 161 of the Ordinance.

- Monitoring of Withholding of Taxes.
- Used as a tool for generation of Revenue.
- Arbitrary Assessments being made.
- Large Tax Payers targeted.
- No exercise u/s 162 is ever conducted.
- No compensation for withholding but penalty.



Income Tax.....continued.

Calling for information... Section 176...

- No parameters.
- Issued by all and ancillaries.
- Even being used as an alternate for monitoring.
- Harsh for all including withholding agents.



Income Tax.....continued.

Selection of Case for Audit.

- Arbitrary.
- Selection through Computer Ballot.
- Each Year by 10% to 20%
- Time Limit to complete.
- To culminate into Amended Assessment only if there is “Definite Information”.



Income Tax.....continued.

Section 207; 208 & 209 of the Ordinance

- Commissioner (Appeals).
- Part of the Department.
- Independence not considered.
- Forced decisions.
- Stay of demand not allowed.
- Be made Independent.



Income Tax.....continued.

Rationalization of tax rates.

- Different Rates discourage; especially the Corporate sector.
- AOP & Small Company a hindrance.
- Presumptive Tax Régime .
- Neighboring Countries....lower @ 30%



Income Tax....continued.

Second Schedule to the Ordinance.

- Exemptions to various persons are available.
- Must remove those which are not necessary.
- Commutation of pension on Retirement or death.... Clause 8 and Clause 13.



Income Tax.....continued.

Export of Services & Contracts.

- Rendered Outside Pakistan @ 1%
- All services if exported be allowed.
- Services Rendered be defined.
- Contracts by GOP that are executed outside Pakistan also be given same incentive.



Income Tax....continued.

Banking Companies.

- Carry forward of provision in excess of 5% to future years for Consumers and SME's.
- Allow ability of 1% of total advances as charge against Bad & Doubtful Debts.
- Compensation on payment of Advance Tax.
- Asking for the information of bank account holders u/s 165 of the Ordinance.



Sales Tax

Various rates of ST.

- Rates on different industries be harmonized (Sugar).
- Base Application to be standard.
- Rates be reduced or rationalized as per taxes in neighboring states.



Sales Tax.....continued.

- Admissibility of Input Tax?
 - If not paid.
 - If not cross verified.
 - If not through Bank Account.

- What to Do?
 - If Government cant....
 - Reduction in Rates.



Sales Tax.....continued.

Assessments/Appeals 11; 36 & 45B.

- Time limit 120 days and 60 days.
- Never complied.
- Condo nation power with FBR.... 74.
- Arbitrary...Never ending.
- No ground for condonation.
- Liability not fixed but time condoned.



Sales Tax.....continued.

Power to Arrest...Section 37A.

- To be applied only after proven fraud.
- Criminal Liability not before Civil Liability.
- At least after First Appeal if not Second.
- Deterrence for the Taxpayer but also not a favorable condition.



Sales Tax.....continued.

Sales Tax Amendment Ordinance, 2011.

- Amends Serial # 69 of Sixth Schedule.
- Tractors Removed from Exemption.
- SRO 535(I)/2008 June 11th 2008. (Fertilizers).
- SRO 536(I)/2008 June 11th 2008. (Pesticides).
- SRO 706(I)/2010 August 02nd 2010. (Input on Tractors).
- SRO 549(I)/2008 June 11th 2008. (Plant & Machinery).



Sales Tax.....continued.

- SRO 283 (I)/ 2011 April 01, 2011.
- Rescind SRO 509 (I)/2007 June 09th 2007
- 185 items “Zero Rated” & Reduced Rated.
 - Registered Importers; Traders; Manufacturers & Exporters to benefit.
 - Importer to Unregistered Person 6%
 - Importer to textile up to Spinning 4%
 - No Sales Tax at Ginning; Man Made or Synthetic Fiber Manufacturing Stage.
 - Immunity to new Registered person. (Clause 45A of Part IV).



Federal Excise Duty.

- Special Excise Duty Enhanced.
- Section 3A Amended 2.5% from 1%.
- Condonation to be withdrawn.
- Time Limits.
- FED & SED be made inter adjustable.



Wealth Tax

- Not a progressive tax.
- Encourages Benami Transactions.
- May result into flight of Capital.
- Only in India (Rate 1%).
- France (Rate 1.8%).
- Constitutional hindrance after 18th Amendment (Entry 50)
Taxes on capital value, not including taxes on immovable property.



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Thank You.

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