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GLOBAL TAX REFORMS

GLOBAL TRENDS IN TAX

Special Report on
ICAP GCC Finance Summit 2023
Enabling for Future: Technology
and Sustainability



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Mr. Husnain R. Badami

Editor

Mr. Tahir Saeed Malik

Team Marcom

Ms. Sarosh Zubair

Mr. Muhammad Haroon

Email

publications@icap.org.pk



Chartered Accountants Avenue Clifton, Karachi-75600 (Pakistan).

99251648, 99251636-39 ✉ publications@icap.org.pk 🌐 www.icap.org.pk

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Message from President ICAP

In the ever-evolving landscape of global finance, the dynamics of taxation are experiencing a significant metamorphosis, characterized by the ongoing Global Tax Reform and dynamic trends in the tax domain. As professionals in the field, it is paramount for Chartered Accountants to remain agile and well-informed amid these transformative changes.

This quarter's edition of The Pakistan Accountant, themed "Global Tax Reform/Global Trends in Tax," delves into the details of these developments, presenting insightful perspectives from our distinguished members. The global tax framework is continually evolving, and our ability to comprehend and adapt to these changes is key to our professional resilience.

Within the pages in this Pakistan Accountant issue, you will discover articles and analyses shedding light on the profound implications of Global Tax Reform and the emerging trends that are reshaping the global tax landscape. As professionals, it is essential for us to grasp the challenges and opportunities that lie ahead, contributing to our collective knowledge and expertise.

In the evolving landscape of international taxation, complexities are on the rise as nations worldwide reevaluate their tax policies for competitiveness and adherence to international standards. The imperative for transparency and compliance is at an unprecedented level, driven by public expectations and government initiatives to combat tax evasion. As you delve into the insights presented in this edition, absorb the wisdom shared by our esteemed members. The collective understanding of these global tax dynamics empowers us to play a pivotal role in upholding financial integrity and nurturing sustainable economic environments.

I am confident that the insights contained within these pages will not only enhance your understanding of the changing tax environment but also empower you to navigate the complex challenges that await. Your steadfast commitment to excellence and valuable contributions to the ICAP community are sincerely appreciated. Thank you for being an integral part of our journey.



Mr. M. Ali Latif, FCA
President, ICAP

Message from Chairman MARCOM

Exploring this quarter's edition of The Pakistan Accountant, the theme "Global Tax Reform/Global Trends in Tax" takes center stage. In a world of constant change, where businesses weave intricate narratives, we, as Chartered Accountants, find ourselves at the intersection of opportunity and challenge.

It's not just about staying informed; it's about embracing the stories that unfold in the realm of global tax reforms. Our contributors share wisdom, offering a compass to navigate this dynamic terrain.

This edition isn't just about keeping pace; it's about finding resonance with the human side of tax reforms. Together, let's decode complexities, explore trends, and discover shared experiences.

This edition will offer information and resonate, fostering a sense of togetherness and a common purpose in our professional expedition.

Happy Reading!



Mr. Husnain R. Badami, FCA
Chairman - Marcom Committee

Special Report

ICAP GCC Finance Summit 2023 Enabling for Future: Technology & Sustainability



The first ever ICAP GCC Finance Summit 2023, a remarkable initiative undertaken by the ICAP Council during this term. Drawing an impressive attendance of approximately four hundred participants, this summit represented a significant accomplishment. Notably, ICAP successfully organized a major event in the UAE after a hiatus of nearly seven years, contributing substantially to the branding and recognition of our qualifications in the GCC region. The summit not only showcased ICAP's commitment to excellence but also reinforced our presence and influence in this dynamic and vital financial landscape.

This GCC Finance Summit, themed "Enabling for Future: Technology and Sustainability," took place on November 28, 2023, at Le Méridien Hotel, Dubai, UAE. The summit aimed to foster knowledge exchange among seasoned professionals within the GCC region, exploring emerging avenues of technology and sustainability crucial to our profession.

The distinguished presence of H.E. Sheikh Nahayan Mubarak Al Nahayan, Cabinet Member and Minister of Tolerance and

Coexistence, UAE, as the Chief Guest at the event enriched the discussions and played a pivotal role in the summit's success. His insights added a profound dimension to the exploration of themes related to technology and sustainability. His speech was inspirational and thought provoking.

We were honored to host esteemed guests, including H.E. Dr. Shamshad Akhtar, Minister for Finance, Revenue, Economic Affairs, and Privatization of Pakistan. She delivered a key note address and congratulated ICAP on holding an event of such magnitude outside Pakistan. The participants were also enlightened by wonderful presentations by Ms. Asmâa Resmouki, President of IFAC, Mr. Zafar Masud, President and CEO of The Bank of Punjab, Mr. M Ali Latif President ICAP and Mr. Ashfaq Yousuf Tola Vice President SAFA and Past President ICAP. Various other high-level dignitaries including honourable Counsel General of Pakistan at Dubai graced the event. Their presence lent an aura of prestige to the grandeur of the event and was in line with Council's strategy of outreach



activities outside Pakistan and supporting our overseas members.

The Summit underscored the critical importance of technology and sustainability in the ever-evolving finance landscape. We successfully assembled experts from all GCC countries, fostering insightful debates and meaningful discourse on pressing topics. The event provided an excellent platform for

networking, allowing members and participants to connect, collaborate, and establish valuable professional relationships for the future.

A brilliant presentation was done by Mr. Rashid Khursheed, Partner & Head of Sustainability Mena Region, PwC Middle East and Ms. Alaisha Dossa, Partner Assurance, PwC Middle East on most happening topic of, “The Global Challenges in Sustainability Reporting”.

The summit featured an insightful Fireside Chat on 'Building Trust through Enhanced Sustainability,' shedding light on the pivotal role of sustainable practices in fostering trust within the financial landscape. Distinguished speakers and panelists delved into innovative approaches, emphasizing the symbiotic relationship between trust-building and sustainable initiatives, thereby providing invaluable insights for navigating the evolving dynamics of our industry. The panelists were Mr. Ian Clark, Executive Vice President, Shelf Drilling, Mr. Rashid Khursheed, Partner & Head of Sustainability Mena Region, PwC Middle East, Mr. Adeel Akbar, Group CFO, Jamal Al-Ghurair Group of Companies. The moderator of this chat was Mr. Arslan Khalid, Vice President ICAP.

Mr. Khalid Rahman Council Member ICAP and Chairman AML Board of ICAP gave a detailed presentation on, "Pakistan's Exemplary Journey in Achieving AML Compliance Success". A panel discussion on AML Compliances highlighted critical strategies and best practices, offering a comprehensive insight into the evolving landscape of Anti-Money Laundering measures. The discussion underscored the imperative for robust compliance frameworks, addressing emerging challenges and fostering a collective commitment to safeguarding the integrity of financial systems. The panelists included Mr. Muhammad Farhanullah Khan, Chief Internal Auditor, Habib Bank Limited, Mr. Asif Kaleem, Head of Finance, Rafed UAE, Mr. Khalid Rahman, Council Member, ICAP and Ms. Manali Chopra, Director GRC at AKW Consultants. This discussion was moderated by Mr. Zeeshan Ijaz Council Member ICAP.

Then another panel discussion on 'Embedded Finance Powering the Global Digital Economy' was held. It highlighted the transformative influence of embedded finance and artificial intelligence in shaping the trajectory of the global digital economy. The discussions delved into key insights, unveiling the potential of embedded finance to revolutionize traditional banking models. The panelists included Mr. Ahmed Dawoud, CFO - GCC & Levant, PepsiCo, Saudi Arabia, Dr. A. Hadi Shahid, Managing Partner, Alliot Hadi Shahid Chartered Accountants, Mr. Saad Ansari, Co-Founder & CEO Xpense and Ms. Khursheed Kotwal, Council Member ICAP. This session was moderated by Mr. Rizwan Saleem, Group Chief Financial Officer, GMG Group.

The last panel discussion of the summit was on very important topic of, "AI's Impact on Finance". The discussion focused on how AI has become a reality and there is no limit to its advancement. The profound impact of AI on reshaping financial landscapes was discussed. Some practical examples and personal organizational experiences were also shared by the panelists. The panelists of this discussion included Mr. Taher Jhanjharya, Group Chief Financial Officer, EFS Facilities Services, Ms. Jarna Gaglaani, Chief Financial

Officer, Udrive and Mr. Najam ul Saqib CFO DHL Germany and Dr. Alok Kumar Aggarwal, Director-Financial Services, Crowe UAE. This panel was moderated by Syed Asif Zaman, CEO, ALIF Technologies.

These four panel discussion sessions were designed to enrich the learning experiences of all participants in two most important areas of sustainability and technology. This summit was also addressed by Mr. Samiullah Siddiqui Chairman PAIB ICAP & Council member ICAP, Mr. Saifullah Chairman OCC ICAP & Council Member and Mr. Yasir Gadit Chairman MC UAE ICAP. Our summit was covered vastly in electronic and print media. We would be sharing detailed write up on this summit in our ICAP publications which would be useful for our members and other stakeholders.

We extend our heartfelt gratitude to all participants, speakers, panelist, moderators and especially our sponsors, notably our Platinum Sponsor, The Bank of Punjab (BOP), Gold Sponsor Al Naboodah, Silver Sponsor Bank Alfalah, and Knowledge Partner PWC Middle East. Special thanks to our Elite Sponsors AARO, AthGadlang, Crowe - UAE, Ahmad Alagbari, and UBL for their invaluable support in making this summit a tremendous success. We would also like to acknowledge support and tireless efforts of senior members of UAE and MC members & chairs of GCC region in holding this summit.

ICAP will continue to hold events of such scale in future as well through continued support of our Management Committees/ chapters. It shows our commitment to advancing knowledge and fostering collaboration within the finance community and improving our branding in overseas that would be pivotal for recognition of our qualification for benefit of our overseas members.

Building Trust Through Enhanced Sustainability



Introduction:

In a rapidly changing global landscape, the focus on the environmental, social, and governance (ESG) impacts of business activities has gained momentum. The need for organizations to disclose their sustainability practices and report on their impact has become imperative. This shift transcends the traditional profit-centric approach, emphasizing a broader commitment to sustainability. This article explores the multifaceted aspects of building trust through enhanced sustainability, addressing risks, opportunities, and the role of key stakeholders from an insightful Fireside Chat on 'Building Trust through Enhanced Sustainability' at the ICAP GCC Finance Summit 2023 themed "Enabling for the Future: Technology and Sustainability" in Dubai, UAE. Distinguished speakers and panelists delved into innovative approaches, emphasizing the symbiotic relationship between trust-building and sustainable initiatives, thereby providing invaluable insights for navigating the evolving dynamics of our industry. The panelists were Mr. Ian Clark, Executive Vice President, Shelf Drilling, Mr. Rashid Khursheed, Partner & Head of Sustainability Mena Region, PwC Middle East, Mr. Adeel Akbar, Group CFO, Jamal Al-Ghurair Group of Companies. The moderator of this chat was Mr. Arslan Khalid, Vice President ICAP.

The Changing Dynamics:

As society becomes more conscious of ESG considerations, entities face both risks and opportunities that influence their long-term value creation. Markets demand transparency on how companies navigate these challenges and align their strategies with ESG issues. Stakeholders, ranging from investors to governments, seek information to make informed decisions, underlining the importance of comprehensive sustainability reporting.

Global Perspective on Sustainability Reporting:

In our interconnected world, the shared responsibility for a sustainable environment transcends geographical boundaries. Over the past century, human actions have significantly impacted the environment, resulting in observable changes. Financial reports incorporating quality sustainability disclosures play a pivotal role in providing essential information to investors and governments. This information, rooted in environmental and social considerations, facilitates informed actions towards sustainable development.

Role of Financial Professionals:

Financial professionals, as custodians of financial data, play a crucial role in promoting sustainable development. By integrating sustainability into accounting frameworks, they contribute to responsible investing, support green initiatives, and drive positive change in economies. The recent introduction of standards such as S1 and S2 by the International Sustainability Standards Board sets a global baseline for sustainability reporting, enhancing corporate accountability.

The Importance of Transparent Reporting:

Transparent and credible reporting of sustainability initiatives is instrumental in building trust. It goes beyond mere rhetoric, demonstrating an organization's commitment to tangible actions aligned with sustainability goals. This transparency fosters trust among stakeholders, showcasing a company's dedication to responsible business practices.

Reconfiguration of Industrial Systems:

Acknowledging the tangible impacts of climate change, there is a growing consensus on the need to decarbonize and protect nature. Achieving this requires a fundamental reconfiguration of industrial systems. This shift necessitates innovative approaches to production, consumption, and resource utilization to create a sustainable and resilient future.

Investment and Capital Raise Strategies:

Developing sustainable investment and capital raise strategies is crucial for businesses. This involves aligning financial decisions with sustainability goals, attracting environmentally conscious investors, and incorporating climate change considerations into business models. Such strategies not only enhance the resilience of businesses but also contribute to a more sustainable global economy.

Governance Around Sustainability:

Governance around sustainability for entities encompasses establishing clear policies, setting targets, and ensuring accountability. Leaders must embed sustainability principles into core operations, fostering a culture of responsibility and transparency. This involves engaging with stakeholders, understanding their expectations, and incorporating feedback into decision-making processes.

Stakeholder Engagement and Education:

Leaders can engage and educate stakeholders, including employees, clients, and the public, on the importance of sustainability through transparent communication. This involves disseminating information about sustainable practices, outlining the impact on the community and environment, and emphasizing the role each stakeholder

plays in contributing to a sustainable future.

Consumer Preferences and Organizational Strategies:

Evolving consumer preferences for sustainable financial products and services significantly influence organizational strategies. Businesses must adapt to these changing demands by integrating sustainability into their products, services, and overall brand identity. Aligning with consumer values not only builds trust but also enhances brand reputation in an increasingly conscious market.

Assurance in Sustainability Reporting:

The assurance context in sustainability reporting involves the development of standards, auditing profession preparedness, and regulatory considerations. In Pakistan and the UAE, the regulatory landscape is evolving to address the importance of sustainability. Assurance practices must align with these developments to ensure the reliability and credibility of sustainability disclosures.

Strategies for Compliance and Sustainability Goals:

Leaders navigating the challenges of climate change impacts and regulatory transitions must adopt strategies that balance compliance with advancing sustainability goals. This involves proactive engagement with regulatory changes, incorporating sustainability into risk management, and establishing clear frameworks for monitoring and reporting progress.

Functioning and Importance of Carbon Markets:

Carbon markets play a vital role in mitigating climate change by putting a price on carbon emissions. They provide economic incentives for companies to reduce their carbon footprint and invest in sustainable practices. The functioning of carbon markets involves the trading of emission allowances and credits, creating a market-driven approach to carbon reduction.

Conclusion:

Building trust through enhanced sustainability is a multifaceted journey that requires a holistic approach from organizations, leaders, and financial professionals. Transparent reporting, stakeholder engagement, and a commitment to sustainability principles are essential elements in this transformative process. As the world collectively addresses the challenges of climate change, the integration of sustainability into core operations becomes not only a necessity but a cornerstone for building a resilient and responsible future.

AML COMPLIANCES



Introduction:

Anti-Money Laundering (AML) regulations are vital for maintaining the integrity of financial systems worldwide. Successful AML implementation in Pakistan offers valuable insights for other countries seeking to strengthen their financial crime prevention measures. This article explores various aspects of AML, from regulatory development and emerging trends to technological innovations and cross-sector cooperation, which evolved from the panel discussion on AML Compliance at the ICAP GCC Finance Summit 2023.

The discussion underscored the imperative for robust compliance frameworks, addressing emerging challenges and fostering a collective commitment to safeguarding the integrity of financial systems. The panelists included Mr. Muhammad Farhanullah Khan, Chief Internal Auditor at Habib Bank Limited, Mr. Asif Kaleem, Head of Finance at Rafed UAE, Mr. Khalid Rahman, Council Member at ICAP, and Ms. Manali Chopra, Director GRC at AKW Consultants. This discussion was moderated by Mr. Zeeshan Ijaz, Council Member at ICAP.

Global Adoption of Successful AML Practices from Pakistan: Pakistan's successful AML implementation can serve as a model for other countries. The collaboration between regulatory bodies, financial institutions, and law enforcement in Pakistan has proven effective. Learning from this, countries can enhance their regulatory frameworks and foster stronger partnerships between public and private sectors to combat money laundering.

Advocacy and Contribution of Accountants to Global AML Regulations:

Accountants play a crucial role in advocating and contributing to the development of AML regulations aligned with global practices. Their financial expertise positions them as key stakeholders in shaping effective AML policies. Collaboration with regulatory bodies, industry associations, and international forums enables accountants to influence the design of comprehensive AML frameworks.

Emerging Trends in AML Enforcement and Regulatory Expectations:

AML enforcement is evolving with changing financial landscapes. Regulatory expectations focus on increased

transparency, automation, and collaboration. Organizations must prepare for these changes by investing in technology, conducting regular risk assessments, and ensuring robust training programs for employees.

Challenges in Identifying Beneficial Owners and Enhanced Due Diligence:

Identifying beneficial owners remains a challenge in AML compliance. In complex ownership structures or transactions involving high-risk jurisdictions, enhanced due diligence becomes imperative. Clear guidelines should outline circumstances triggering enhanced due diligence to ensure thorough scrutiny of potentially high-risk transactions.

Vulnerable Industries in UAE and Compliance Improvement Efforts:

The National Risk Assessment (NRA) in the UAE identifies vulnerable industries. Authorities have focused on improving compliance in these sectors through targeted regulations, enhanced monitoring, and proactive collaboration with businesses. The continuous evaluation of risk factors ensures a dynamic and adaptive approach to AML measures.

Best Practices in AML Compliance by Accountancy Firms in Pakistan:

Accountancy firms in Pakistan have adopted best practices for consistent and effective AML compliance. These include robust client onboarding procedures, regular staff training, and leveraging technology for transaction monitoring. Collaboration with regulatory bodies and sharing of best practices within the industry further strengthen AML efforts.

Role of Regulatory Technology (RegTech) in Streamlining AML Compliance:

RegTech plays a pivotal role in streamlining AML compliance processes. Automated systems enhance efficiency in reporting and monitoring by utilizing advanced algorithms and real-time data analysis. Integration of RegTech solutions ensures organizations stay ahead of evolving AML requirements.

Advance Data Analytics and Artificial Intelligence in AML Compliance:

Advanced data analytics and artificial intelligence significantly enhance AML compliance efforts. These technologies enable predictive analysis, anomaly detection, and real-time risk assessment. Financial institutions can leverage these tools to proactively identify and mitigate potential money laundering activities.

Balancing Robust AML Compliance with Seamless Customer Experiences:

Financial institutions must strike a balance between robust AML compliance and providing seamless customer experiences. Utilizing technology for streamlined onboarding,

implementing risk-based approaches, and offering user-friendly interfaces contribute to meeting regulatory requirements without compromising customer satisfaction.

AML Responsibilities and Approaches of Designated Non-Financial Businesses and Professions (DNFBPs):

DNFBPs differ from traditional financial institutions in their AML responsibilities. Learning from each other, both sectors can enhance their approaches. DNFBPs can adopt technology-driven solutions, while financial institutions can benefit from the nuanced understanding of specific risks in various non-financial sectors.

Cross-Border Cooperation and Information Sharing in AML Measures:

In a global financial landscape, cross-border cooperation and information sharing are essential for effective AML measures. International collaboration enables swift action against money laundering networks that transcend borders. Establishing standardized protocols for information exchange enhances the collective impact of AML efforts.

Strengthening AML Compliance Against Cyber Threats:

In the face of increasing cyber threats, AML compliance measures must adapt. Incorporating cybersecurity measures, implementing robust authentication protocols, and staying abreast of emerging threats are crucial. A proactive approach to cybersecurity ensures protection against money laundering through digital channels.

Conclusion:

Enhancing AML compliance requires a multifaceted approach, incorporating global best practices, technological innovations, and collaborative efforts. By learning from successful implementations, advocating for effective regulations, and embracing emerging trends, countries and organizations can fortify their defenses against money laundering, protecting the integrity of financial systems worldwide.

EMBEDDED FINANCE POWERING THE GLOBAL DIGITAL ECONOMY



Introduction:

From a macro perspective, numerous studies have concurred that digital finance significantly influences the development of traditional finance, economic growth, and income distribution in both urban and rural areas. This article explores the profound changes digital finance is driving on a global scale, delving into its benefits, emerging trends, challenges, and its potential role in fostering economic sustainability. This discussion evolved from the panel discussion on 'Embedded Finance Powering the Global Digital Economy' at the ICAP GCC Finance Summit 2023. The panelists included Mr. Ahmed Dawoud, CFO - GCC & Levant, PepsiCo, Saudi Arabia, Dr. A. Hadi Shahid, Managing Partner, Alliot Hadi Shahid Chartered Accountants, Mr. Saad Ansari, Co-Founder & CEO Xpense, and Ms. Khursheed Kotwal, Council Member ICAP. This session was moderated by Mr. Rizwan Saleem, Group Chief Financial Officer, GMG Group.

Driving Economic Change through Digital Finance:

Digital finance is a catalyst for economic change, offering key benefits to both developed and developing economies. The digitization of financial services enhances efficiency, reduces costs, and facilitates financial inclusion, contributing to economic growth and improved income distribution.

Impact of COVID-19 on Finance:

The COVID-19 pandemic accelerated the adoption of digital finance. Schools shifted to online classes, stock exchanges embraced remote trading, and mobile banking transactions surged. Examining the lessons learned from this period illuminates the resilience and adaptability of the financial sector in times of crisis.

Emerging Trends and Technologies in Finance:

The finance landscape is continually shaped by emerging trends and technologies. From blockchain and artificial

intelligence to decentralized finance (DeFi), these innovations are reshaping organizations by enhancing security, transparency, and accessibility in financial services.

Challenges in Embedded Finance:

A report by Roland Berger highlights data security as a major concern for consumers in embedded finance. Robust risk management mechanisms are essential to address these challenges and ensure the responsible and secure expansion of embedded finance globally. Regulatory considerations play a crucial role in achieving this objective.

Fintech Innovation and Embedded Finance:

Evolving customer expectations drive the demand for embedded finance solutions. Fintech innovation plays a pivotal role in meeting these expectations by integrating financial products into daily activities. Financial institutions must harness this potential to stay competitive and relevant in the evolving landscape.

Banking in the Face of Fintech Challenges:

Banks continue to face challenges from fintech and tech companies, coupled with rising consumer expectations. Adapting to this perfect storm requires banks to reassess their roles and embrace digital transformation to provide personalized products and services.

Fostering Financial Inclusion with Embedded Finance:

Embedded finance solutions can play a crucial role in fostering financial inclusion, especially in regions with limited access to traditional banking services. By integrating financial services into everyday activities, these solutions bridge the gap and enhance accessibility.

Empowering SMEs through Embedded Finance:

Small and medium-sized enterprises (SMEs) often struggle to access financing from traditional sources. Embedded finance can empower SMEs by providing alternative financing options and easing the challenges associated with collateral requirements and complex documentation.

Embedded Finance for Sustainable Growth:

As the world grapples with environmental concerns, embedded finance can serve as a catalyst for sustainable economic growth and environmental responsibility. Financing industries contributing to greenhouse gas emissions can be redirected towards sustainable ventures, aiding in carbon emissions reduction.

ICAP's Role in Technology Development:

The Digital Assurance and Accounting Board established by ICAP in 2018 aims to serve the public interest by contributing policy recommendations and supporting the integration of technology-based solutions in accounting, assurance, and various businesses. ICAP's strategies encourage the development of technology in the finance ecosystem.

Conclusion:

Digital finance is reshaping the global financial landscape, driving economic change, fostering financial inclusion, and presenting new opportunities and challenges. By addressing data security concerns, harnessing fintech innovation, and promoting responsible expansion, the finance industry can embrace the transformative power of digitalization for a more sustainable and inclusive future. ICAP's efforts to integrate technology into various sectors further contribute to the ongoing evolution of the finance ecosystem.

EMERGING TRENDS: AI'S IMPACT ON FINANCE



The last panel discussion of the summit was on very important topic of, "AI's Impact on Finance". The discussion focused on how AI has become a reality and there is no limit to its advancement. The profound impact of AI on reshaping financial landscapes was discussed. Some practical examples and personal organizational experiences were also shared by the panelists. The panelists of this discussion included Mr. Taher Jhanjharya, Group Chief Financial Officer, EFS Facilities Services, Ms. Jarna Gaglaani, Chief Financial Officer, Udrive and Mr. Najam ul Saqib CFO DHL Germany and Dr. Alok Kumar Aggarwal, Director-Financial Services, Crowe UAE. This panel was moderated by Syed Asif Zaman, CEO, ALIF Technologies.

Introduction:

Artificial Intelligence (AI) has emerged as a potent force reshaping numerous industries, and finance and business consulting stand prominently within its influence. This article explores the multifaceted ways in which AI is revolutionizing financial services and consulting, examining its impact on decision-making, risk management, compliance, customer experience, fraud detection, and more. The genesis of this article lies in the insightful discussion on AI's Impact on Finance during the ICA GCC Finance Summit 2023. The

distinguished panelists for this discussion included Mr. Taher Jhanjharya, Group Chief Financial Officer at EFS Facilities Services, Ms. Jarna Gaglaani, Chief Financial Officer at Udrive, Mr. Najam ul Saqib, CFO DHL Germany, and Dr. Alok Kumar Aggarwal, Director-Financial Services at Crowe UAE. Facilitating the discourse was Syed Asif Zaman, CEO of ALIF Technologies.

Generative AI in Finance: Defining the Landscape and Associated Risks:

Generative AI in finance refers to systems that generate new, realistic data, helping financial institutions analyze trends and make informed decisions. While it holds promise for innovation, the associated risks include potential biases, ethical concerns, and the need for robust security measures to safeguard sensitive financial information.

AI in Logistics Delivery: Unleashing Efficiency and Precision:

AI plays a crucial role in logistics delivery by optimizing routes, predicting delivery times, and enhancing overall operational efficiency. As an example, DHL utilizes AI for monitoring and tracking, ensuring real-time visibility, and improving the accuracy of delivery estimates.

Streamlining Cross-Border Transactions with AI:

AI has the potential to streamline cross-border transactions and enhance international financial operations. Automated processes, smart contracts, and blockchain technology powered by AI contribute to faster and more secure transactions, reducing complexities associated with cross-border financial activities.

Emerging AI Technologies in Financial Services: A Glimpse into the Future:

Several emerging AI technologies show promise in reshaping financial services. These include quantum computing for advanced data processing, natural language processing for improved communication, and explainable AI for transparency in decision-making processes.

AI Disruption in the Real Estate Industry:

AI is disrupting the real estate industry through predictive analytics, personalized property recommendations, and virtual assistants. These technologies enhance the home-buying experience, optimize property management, and contribute to more data-driven decision-making.

The Role of AI in the Construction Industry:

In the construction industry, AI is revolutionizing project management, design optimization, and safety monitoring. AI-powered solutions contribute to increased efficiency, reduced costs, and improved overall project outcomes.

AI in Financial Decision-Making: Optimizing Resource Allocation and Profitability:

AI-powered algorithms and predictive analytics are transforming financial decision-making processes. From portfolio management to investment strategies, AI optimizes resource allocation, enhances profitability, and improves overall financial decision outcomes.

Risk Assessment and Management with AI: Proactive Strategies for Mitigation:

AI-driven models are bolstering risk assessment in finance, allowing for more accurate forecasting and proactive risk mitigation strategies. These technologies provide real-time insights into market trends, helping financial institutions navigate uncertainties more effectively.

Enhanced Compliance and Regulatory Reporting: Streamlining Efforts with AI:

AI technologies are streamlining compliance efforts in finance by ensuring adherence to complex regulatory frameworks and automating reporting processes. This results in increased efficiency, accuracy, and transparency in compliance-related tasks.

AI and Customer Experience Transformation: Personalization and Engagement:

AI is personalizing customer experiences in finance through chatbots, predictive analytics, and tailored product offerings. These technologies enhance customer engagement, providing instant support and delivering more personalized financial solutions.

Fraud Detection and Prevention: Real-Time Safeguards for Financial Institutions:

AI plays a crucial role in fraud detection and prevention by analyzing patterns and anomalies indicative of fraudulent activities. Real-time alerts and safeguards provided by AI technologies contribute to the security of financial institutions and their clients.

Automation in Accounting and Reporting: Precision and Efficiency in Financial Operations:

AI is automating routine accounting tasks, reducing errors, and improving the accuracy and efficiency of financial reporting. This leads to more streamlined financial operations and enhanced data reliability.

Investment and Portfolio Management: Optimizing Strategies with AI:

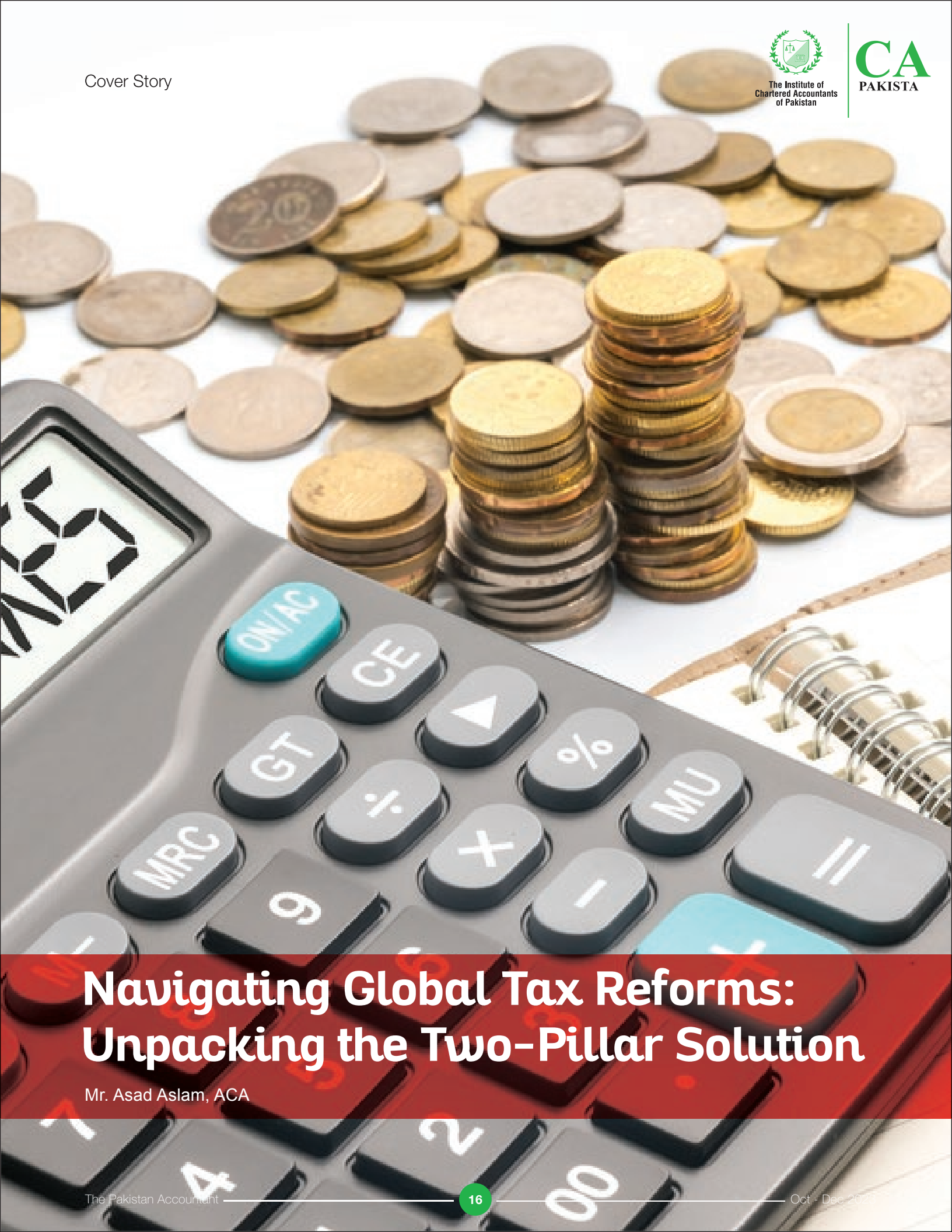
AI-driven algorithms are optimizing investment and portfolio management strategies. These technologies analyze market trends, assess risk, and contribute to the creation of more diversified and resilient investment portfolios.

Ethical Considerations and Responsible AI: Navigating the AI Landscape:

As AI adoption in finance accelerates, addressing ethical considerations becomes crucial. Transparency, accountability, and responsible use of AI technologies are paramount to ensure fair practices, unbiased decision-making, and the protection of individuals' financial information.

Conclusion:

The integration of AI into finance and business consulting marks a transformative era, offering unparalleled opportunities and efficiencies. From reshaping decision-making processes to enhancing customer experiences and mitigating risks, AI is a driving force in the evolution of financial services. However, a thoughtful approach to ethical considerations is imperative to ensure responsible AI adoption in the financial landscape. As these technologies continue to advance, their impact will undoubtedly shape the future of finance and consulting in unprecedented ways.



Navigating Global Tax Reforms: Unpacking the Two-Pillar Solution

Mr. Asad Aslam, ACA

The Pillar One of the Two-Pillar Solution aims to replace the traditional corporate income tax rules, introducing the economic nexus. This means MNEs will be taxed based on profitability and worldwide revenue, irrespective of their physical presence. It comprises Amount A, allocating profits to smaller markets, and Amount B, streamlining pricing for marketing and distribution functions. Pillar Two establishes a global minimum corporate tax rate for MNEs, preventing profit shifting to low-tax jurisdictions. However, MNEs face challenges in compliance, including reassessing structures and adapting tax planning strategies to the evolving international tax framework.

Multinational Enterprises (MNEs) often position themselves advantageously for better tax planning opportunities through complex holding structures dispersed worldwide, globalized information systems, aggressive tax planning, and transfer pricing strategies—approaches often viewed as exploitative and evasive. In international taxation, this is known as Base Erosion and Profit Shifting (BEPS). While MNEs, with their extended value chains, play a significant role in the private sector of many developing countries, curbing their tax planning opportunities and double non-taxation has been a topic of discussion among tax regulators.

In contemporary times, numerous private and public enterprises can digitally operate in various host jurisdictions with minimal or no physical presence outside their home country. Tech giants and digital service providers, offering online advertisements, cloud computing, and networking services, exemplify this trend. Amid the digitalization and globalization of economies, it becomes crucial to guide these enterprises to make a positive contribution to socio-economic development, limit perceived exploitation, and promote fairness and equity in the global tax system.

To address these tax challenges and inequities, in July 2023, 138 member states of the OECD reached an agreement on the Outcome Statement for the Two-Pillar Solution. Among the measures to counteract BEPS, the Two-Pillar approach is a recently developed inclusive tax framework comprising two main components or pillars. This article briefly outlines these global tax reforms aimed at achieving a global consensus and discusses the resulting challenges for MNEs.

Pillar One – Allocation of Taxing Rights among Countries

The currently applicable corporate income tax rules, dating back a century, reflect a system based on how businesses operated then. The foundational idea is that an enterprise must be physically and legally present in a market or jurisdiction to provide goods and services. This concept, known as the physical presence nexus, establishes a state's taxing right only when a physical presence is confirmed.

However, in the contemporary world, businesses, whether tech-driven or traditional, can meet the demands of globalization through market liberalization, the emergence of e-commerce, smartphones, and the internet. Pillar One aims to replace the physical presence nexus with the economic nexus, addressing the key question: Where should an MNE be taxed? This pillar consists of two key elements: Amount A and Amount B.

Multilateral Convention to Implement "Amount A"

Amount A seeks to allocate profits of MNEs to small and developing countries that may lack attractive infrastructure and strategic benefits for establishing an entity but offer an attractive market for business. This component introduces a profit allocation model assigning taxing rights of MNE profits to the market jurisdiction (where they operate by marketing and selling their products), irrespective of their physical presence nexus.

Initially, this rule applies to MNEs with a profitability ratio above 10% and worldwide revenue exceeding EUR 20 million. Pillar 2 mandates the reallocation of 25% of profits exceeding 10% to market jurisdictions meeting specific quantitative thresholds. An eligible market jurisdiction must have at least EUR 1 million revenue for the MNE. Allocation is based on the proportion of local revenue sourced from that jurisdiction compared to the total MNE revenue.

The convention outlines revenue sourcing indicators to determine the bases for sourcing various types of revenues. It also establishes rules to eliminate double taxation of reallocated profits due to existing profit allocation rules under local laws or tax treaties. Signatory countries agree to refrain from imposing new Digital Service Taxes (DST) to avoid dual levies and double taxation of profits.

Reallocating profits across jurisdictions necessitates detailed data for applying source indicators and assessing quantitative

thresholds for each jurisdiction. This requires robust systems for tracking, reporting, and documenting relevant financial information. Additionally, to ensure market jurisdictions receive tax on their fair share of profits, reporting requirements such as market share, customer base, and related profit measures may be introduced. Ensuring compliance may demand significant adjustments to MNEs' existing reporting systems.

In Pakistan, income tax has been imposed on offshore digital services, and provincial revenue authorities have imposed indirect/sales tax on services from non-resident advertisement and IT service providers. Harmonizing national tax laws to prevent multiple taxes on a single transaction is crucial to maintaining competitiveness in the country's technology ecosystem. Until duplicate DSTs are eliminated, navigating the risk of double taxation could be costly and time-consuming for MNEs.

Lastly, MNEs should explore how profit calculation rules vary across jurisdictions to understand their accurate impact and devise an optimum tax strategy.

"Amount B" under the Pillar One Framework

Amount B aims to streamline and standardize pricing and baseline marketing and distribution function activities, simplifying the application of the arm's length principle. This seeks to reduce compliance costs associated with current transfer pricing rules for common wholesale distributors and marketing functions, making compliance more straightforward by reducing the work of finding a local comparable.

Amount B is expected to enhance tax certainty for MNEs and reduce transfer pricing-related disputes between taxpayers and tax authorities and among competent authorities under mutual agreement procedures. However, MNEs may still encounter challenges in its application. Implementing new processes to calculate and document fixed returns for baseline activities can be challenging. Determining whether an activity qualifies as a baseline distribution and marketing function, along with a fixed percentage margin representing the value of these functions and a fair standard return, can be complex and vary across industries. This may impact supply chain structures, financing arrangements, and other aspects of MNEs' global operations.

Pillar Two – Global Minimum Corporate Tax Rate for MNEs

Pillar Two aims to enforce a global minimum corporate tax rate for MNEs with consolidated revenue exceeding EUR 750 million. The objective is to ensure that these entities pay a minimum of 15% tax in every jurisdiction where they operate. This initiative seeks to establish a more equitable global tax framework by preventing MNEs from shifting profits to low-tax jurisdictions or tax havens, discouraging tax rate competition between states.

Under the Pillar Two tax regime, MNEs must calculate their effective tax rate in each jurisdiction and compare it with the 15% minimum tax. Any shortfall triggers a top-up tax liability,

typically discharged in the jurisdiction where the ultimate parent entity operates. Similar to the taxation of a Controlled Foreign Company, the Income Inclusion Rule (IIR) under Pillar Two imposes additional tax on the parent entity if the constituent entity is taxed below 15% in the host country.

The Subject to Tax Rule (STTR) is a crucial component of Pillar Two, denying double tax treaty benefits to certain intra-group payments (such as interest, royalties, and service fees) subjected to lower-than-baseline tax rates.

The introduction of higher tax rates for MNEs utilizing tax havens or employing aggressive tax planning is imminent. This shift may impact overall tax costs, influencing financial planning and profitability. Historical corporate tax strategies may need re-evaluation, necessitating compliance with new requirements under Pillar Two.

Many MNEs may need to reassess their existing holding structures and jurisdictions where their operations are based to ensure compliance with the new rules or risk increased tax burdens.

Final Word

The entry into force of the Multilateral Convention depends on ratification by each member country party to the Convention. Major implementation work on Pillar Two has been completed, with around 50 jurisdictions already taking steps for implementation by January 1, 2024. While technical work on Pillar One continues, it will enter into force after at least 30 jurisdictions, representing at least 60% of MNEs, have ratified it, expected within 2024.

Both Pillars are designed to interact and complement each other, addressing the tax challenges of the digital economy. Understanding how compliance requirements coordinate and their combined impact on MNEs may pose unique challenges, especially for organizations with significant global and digital presence. The application of complex rules across jurisdictions adds to administrative burdens and compliance costs. Developing proactive measures and adapting tax planning strategies will be crucial for compliance in the rapidly evolving international tax framework.

- [1] The contents of many bilateral tax treaties essentially date back to the League of Nations, Report on Double Taxation, Document E.F.S.73. F.19; 5 April 1923.
- [2] Income tax Fee for Offshore Digital Services imposed through Finance Act 2018.
- [3] Reference may be made to the Punjab Revenue Board's Notification No. PRA/32-24/2022/561 July 5, 2023 and Sindh Revenue Board's Notification No. SRB-3-4/46/2023 September 27, 2023.
- [4] OECD/G20 Inclusive Framework on BEPS, Progress Report – September 2023.



Asad Aslam, ACA
Senior Manager, Tax Practice at
A.F.Ferguson & Co. (PwC).



The Evolution of Tax: Trends Shaping the Global Landscape

Mr. Masood Zaman, ACA

Introduction:

In an era of increasing interconnectedness, global taxation dynamics are undergoing significant transformation. Nations worldwide are grappling with the need to adapt their tax systems to address challenges posed by globalization, digitalization, and the evolving nature of business. This article explores the key global trends in tax reform and their implications for businesses, governments, and the international economy.

Digitalization and the Challenge of Taxing the Digital Economy:

The rise of digital business models has created a major challenge for traditional tax systems. The borderless nature of the digital economy makes it difficult for countries to determine where economic value is created and, consequently, where taxes should be paid. Many nations are now exploring or implementing digital services taxes and working towards a consensus on a global approach to taxing digital transactions.

Countries are exploring or implementing digital taxation policies to ensure that multinational tech companies, including those involved in cryptocurrency, pay their fair share of taxes. Cryptocurrency taxation and global tax initiatives pose challenges due to the decentralized and cross-border nature of cryptocurrencies.

Base Erosion and Profit Shifting (BEPS):

The BEPS project, initiated by the Organization for Economic Co-operation and Development (OECD), aims to address strategies employed by multinational enterprises to shift profits to low-tax jurisdictions. Countries are increasingly adopting BEPS recommendations to close loopholes and ensure that corporations pay taxes in jurisdictions where they generate profits. The ongoing implementation of BEPS measures is reshaping the landscape of international taxation. Pakistan has expressed its commitment to implementing the BEPS recommendations. The Federal Board of Revenue (FBR) in Pakistan has taken steps to align the country's tax regulations with international standards, including those put forth by the BEPS project. Some of the key BEPS recommendations and their potential implementation in Pakistan include:

Country-by-Country Reporting (Action 13): This recommendation involves requiring multinational companies to provide detailed information about their global allocation of income, taxes paid, and economic activity. This helps tax authorities assess transfer pricing risks.

Prevent Treaty Abuse (Action 6): The BEPS recommendations include measures to prevent the abuse of tax treaties for the purpose of tax avoidance.

Controlled Foreign Company Rules (Action 3): These rules are designed to prevent profit shifting to low-tax jurisdictions by attributing certain income of controlled foreign subsidiaries to the parent company.

Multilateral Instrument (Action 15): This allows countries to swiftly modify their tax treaties to implement measures developed in the course of the BEPS project.

Corporate Tax Rates and Competition:

There is a growing trend toward corporate tax rate adjustments globally. Several countries have either reduced or plan to reduce their corporate tax rates to attract foreign investment and remain competitive. This trend has gained momentum, particularly in the wake of the global economic challenges posed by the COVID-19 pandemic, with some nations using tax policy as a tool for economic recovery.

Environmental, Social, and Governance (ESG) Considerations:

As awareness of environmental and social issues grows, there is an increasing focus on incorporating ESG considerations into tax policies. Some countries are exploring or implementing tax incentives and penalties to encourage businesses to adopt sustainable practices. This represents a shift towards aligning tax policies with broader societal goals beyond revenue generation.

Transparency and Exchange of Information:

International efforts to enhance tax transparency and exchange of information between tax authorities have gained momentum. Initiatives such as the Common Reporting Standard (CRS) and the Automatic Exchange of Information (AEOI) are aimed at reducing tax evasion and ensuring that individuals and businesses are held accountable for their tax obligations on a global scale.

The Common Reporting Standard (CRS) developed by the OECD is a global standard for the automatic exchange of financial account information. It requires financial institutions to collect and report information on foreign account holders to their respective tax authorities, which is then automatically shared with the account holder's country of residence.

Automatic Exchange Of Information (AEOI) is closely linked with the CRS, involving the automatic exchange of financial information between countries. It enhances transparency by enabling tax authorities to access information about their residents' financial accounts held abroad. Pakistan has committed to implementing the CRS and AEOI and is part of the international efforts to share financial information automatically with other jurisdictions. Pakistan has been revising and updating its bilateral tax treaties to include provisions related to the exchange of information. These treaties often incorporate international standards, ensuring that tax authorities can request and receive information from each other.

The Role of International Organizations:

International organizations, such as the OECD and the G20, play a crucial role in facilitating global tax cooperation. Ongoing dialogues and negotiations aim to establish common frameworks and standards that promote fair and effective taxation. Collaboration is key to addressing cross-border tax challenges and fostering a more equitable global tax system.

Conclusion:

The landscape of global taxation is evolving rapidly, driven by the need to adapt to a changing economic and technological environment. As nations navigate the complexities of tax reform, collaboration and coordination on an international scale become increasingly important. Businesses operating globally must stay abreast of these trends to ensure compliance and navigate the evolving terrain of global taxation. The path forward involves finding a balance between fostering economic growth, ensuring tax fairness, and addressing pressing global challenges.



Masood Zaman, ACA
Consultant & Chief Financial Officer at International
& domestic organizations.



Beyond Borders: A Comparative Analysis of Pakistan and Canada's Tax Systems

Mr. Qasim Abbas, FCA & FCMA

The tax system of any country serves as the backbone of its economy, progress, and prosperity by generating revenue. To regulate this system, a country establishes a regulatory body through legislation. In Pakistan, this body is known as the Federal Board of Revenue (FBR). Other countries have similar bodies such as the Internal Revenue Service (IRS) in the

U.S.A., His Majesty's Revenue & Customs (HMRC) in the U.K., and the Canada Revenue Agency (CRA) in Canada.

As a dual national of Pakistan and Canada settled in Canada, I have delved into Canada's tax system in detail. Being a retired professional with no income from vocation, I do not have

The Canadian tax system is notably unique and straightforward, making it easy to comprehend. The deadline for filing Income Tax Returns for the previous year is fixed on April 30th. Tax Returns can be filed either on paper or online. Each year in the second week of February, Tax Return Forms are available, free of charge, from all Post Offices in the form of booklets.

taxable income as my allowances, as per Canadian Tax Law, surpass my net income. Hence, I am not required to pay any tax. However, I dutifully file my Income Tax Return annually, which is assessed by the Tax Authority, i.e., the Canada Revenue Agency (CRA). I receive a Notice of Assessment akin to an Assessment Order, similar to what Pakistani tax filers receive after filing their Tax Returns.

The Canadian tax system is notably unique and straightforward, making it easy to comprehend. The deadline for filing Income Tax Returns for the previous year is fixed on April 30th. Tax Returns can be filed either on paper or online. Each year in the second week of February, Tax Return Forms are available, free of charge, from all Post Offices in the form of booklets. These booklets contain duplicate copies of each form to be filed. Additionally, the Income Tax and Benefits Guide Book, offering detailed form instructions and guidelines, are also obtainable free of charge from Post Offices.

Furthermore, in the first week of February each year, tax filers can order these booklets online through the Canada Revenue Agency website. Within two weeks of ordering, both booklets – Tax Forms and the Instruction Book – are received by the tax filer via post at their address. Besides paper and online filing, Canadian tax filers have the option to file their annual tax return by telephone, especially for simple tax returns with few entries. Guidelines for this unique telephonic service are available.

The Canada Revenue Agency encourages Canadian citizens to file Income Tax Returns annually, regardless of their income status. This practice ensures that citizens entitled to benefits under Canadian laws can avail themselves of these benefits. To access

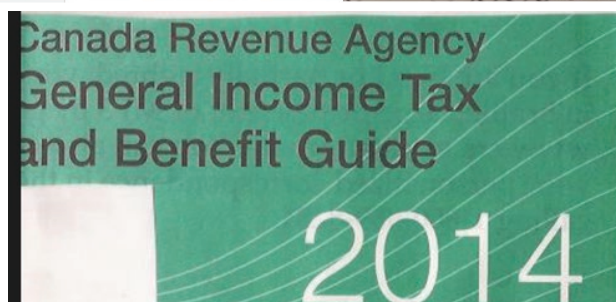
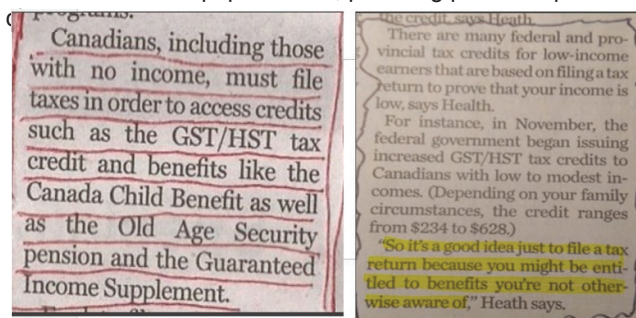
these benefits, individuals must file their Income Tax Return each year, regardless of their income status. Therefore, even Canadians with minimal or no income file their Income Tax Returns to receive the benefits available to them under Canadian law.

Based on this distinctive tax system, Canada can be considered a welfare state where its citizens, especially senior/retired Canadians, file Income Tax Returns despite having no taxable income. This practice allows them to receive entitled benefits available as per Canadian law. Some benefits include the GST Credit, Trillium Benefit, Child Care Benefit, Old Age Security, Guaranteed Income Supplement, Climate Action Incentive, among others. These benefits are disbursed to citizens in the form of cash through cheques or direct deposits into their bank accounts.

In essence, the Canadian Tax System stands out as a unique system where citizens, even those with no income, willingly file Income Tax Returns to access benefits entitled to them under Canadian law.

Canadians, especially new immigrants, are encouraged to file their tax returns through announcements in newspapers. This initiative aims to ensure that individuals can access the benefits entitled to them under Canadian law. Typically, new immigrants possess limited knowledge about Canadian tax laws. To address this issue, community organizations offer complimentary services to assist new immigrants in preparing their tax returns.

These community organizations, financially supported by the Canadian government, are widespread across various areas. They operate under the name "Free Tax Clinic," providing cost-free tax preparation services. To benefit from this unique service, individuals need to reach out to the Free Tax Clinic in their locality, schedule an appointment, and furnish the necessary information. Volunteers at these clinics then prepare their tax returns in paper format, providing printed copies at no



Ontario 2022

Income Tax Package



Learn about the benefits and credits you're entitled to, and how you can claim them.

We're here to help you:

reduce the amount you owe with tax credits and make sure you receive the benefits you're entitled to.

Need help filling out your return?

Check out our Community Volunteer Income Tax Program.

Get your tax refund faster with direct deposit

canada.ca/guide-taxes-direct-deposit

Due date

Most income tax and benefit returns are due by April 30, 2023.



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Canada



File my Return: IT'S EASY!

The Canada Revenue Agency has a quick and easy service for individuals to file their taxes securely over the phone. Best of all, it's free!

In the coming weeks, you will receive an invitation letter and information sheets in the mail that will guide you through the steps to use this service. With the File my Return service, you will be able to file your income tax and benefit return simply by giving some personal information and answering a series of short questions through a secure, automated phone service.

If you have any questions about File my Return, call the individual tax enquiries line at 1-800-959-8281 or go to canada.ca/file-my-return.

RC448 (E)

Canada Revenue Agency / Agence du revenu du Canada

Canada

Federal Income Tax and Benefit Guide

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Climate action incentive payment

The climate action incentive payment (CAIP) is paid quarterly. If you are eligible, you will automatically get the CAIP four times a year. To receive your payment on April 14, 2023, you and your spouse or common-law partner (if applicable), have to file your income tax and benefit returns (even if you did not receive income during the year), and have them assessed on or before March 24, 2023. If your tax returns are assessed after this date, your payment will be included in a subsequent payment after your return is assessed.

If you reside outside a census metropolitan area (CMA) and expect to continue to reside outside of a CMA on April 1, 2023, both you and your spouse or common-law partner (if applicable) must complete the CAIP section on page 2 of your returns.

canada.ca/guide-child-family-benefits

We're transforming our services

At the Canada Revenue Agency (CRA), we're transforming the services we provide to millions of Canadians and helping them receive all the benefits and credits they're entitled to. We are committed to providing Canadians with information and excellent services all year round. Our service transformation is about building trust and offering you a great service experience with modern and convenient tools.

canada.ca/guide-cra-putting-people-first

Benefits and credits available to Canadians

Even if you have no income to report or income tax to pay, the CRA encourages you to file an income tax and benefit return each year to take advantage of certain benefits and credits. File by April 30, 2023*, because you may be entitled to the following:

- Canada child benefit
- guaranteed income supplement
- Canada workers benefit
- goods and services tax / harmonized sales tax (GST/HST) credit
- various provincial or territorial credit and benefit payments

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canada.ca/guide-child-family-benefits



Qasim Abbas, FCA & FCMA

The writer is a retired senior FCA and FCMA, a regular local columnist based in Canada.



Understanding and Adapting to Key Trends in Global Taxation:

Mr. Nageeb Ur Rehman, ACA

The global tax landscape is undergoing significant changes in an era marked by increasing interconnectivity and globalization. Governments, multinational corporations, and individuals are grappling with evolving trends in taxation, and this article delves into key global tax trends, shedding light on their implications and the strategies employed by various stakeholders to navigate this complex terrain.

Digital Taxation:

A prominent trend in global taxation is the push for fair taxation in the digital economy. The surge in e-commerce, digital

services, and remote work has outpaced traditional tax frameworks. Countries are reassessing their tax codes to ensure that digital businesses contribute their fair share to the economies they operate in. Discussions on digital services taxes, unilateral measures, and efforts for international consensus through organizations like the OECD are underway.

BEPS (Base Erosion and Profit Shifting):

BEPS remains a focal point in global taxation discussions. Multinational corporations historically exploited gaps in tax

A prominent trend in global taxation is the push for fair taxation in the digital economy. The surge in e-commerce, digital services, and remote work has outpaced traditional tax frameworks. Countries are reassessing their tax codes to ensure that digital businesses contribute their fair share to the economies they operate in. Discussions on digital services taxes, unilateral measures, and efforts for international consensus through organizations like the OECD are underway.

rules to shift profits to low-tax locations. The OECD's BEPS initiative aims to create a more coordinated and consistent international tax framework. It discourages artificial profit shifting, ensuring that profits are taxed where economic activities occur.

Country-by-Country Reporting:

Transparency is a key theme in contemporary tax trends. Many jurisdictions now mandate multinational enterprises to provide detailed information on their global income allocation, taxes paid, and economic activity. Country-by-country reporting enhances transparency and empowers tax authorities to assess transfer pricing risks, part of a broader effort to combat tax evasion and hold corporations accountable.

Environmental, Social, and Governance (ESG) Taxation:

With growing concerns about sustainability and corporate responsibility, there is a rising interest in using taxation to promote environmental, social, and governance goals. Some countries are exploring tax incentives for environmentally friendly practices and penalizing activities contributing to climate change. This shift aligns tax policies with broader societal and environmental objectives.

Tax Technology and Automation:

Technological progress, including artificial intelligence and blockchain, is transforming tax administration. Governments and businesses are increasingly adopting technological solutions to simplify compliance, boost accuracy, and optimize tax processes' efficiency. Automation lessens administrative workloads and facilitates effective identification of potential tax risks and opportunities.

Conclusion:

The worldwide tax scenario is in constant flux, influenced by digitization, international collaboration, and societal expectations. Navigating this intricate terrain requires a proactive stance from governments, businesses, and individuals. Staying abreast of these global tax trends is crucial in ensuring a fair and efficient tax system in a connected and dynamic global economy.



Naqeeb Ur Rehman, ACA
Manager Audit & Assurance Services at ShineWing
Hameed Chaudhri & Co. Chartered Accountants.



Navigating the Future: Modern Tax Reforms in Developed Countries

Mr. Sami Ullah Khan, ACA

Introduction:

In the ever-evolving economic governance landscape, developed countries lead the charge in modernizing their tax systems to adapt to changing realities. Fueled by technological advancements, globalization, and the urgency to address emerging challenges, modern tax reforms reshape the fiscal policies of these nations. An overarching theme in these reforms is the incorporation of technology into tax administration. Automation, artificial intelligence, and data

“In the ever-evolving economic governance landscape, developed countries lead the charge in modernizing their tax systems to adapt to changing realities.”

Developed countries increasingly recognize the necessity of ensuring digital businesses contribute equitably to national coffers. Consequently, many jurisdictions implement or consider digital services taxes (DST) to capture revenue generated by multinational tech companies. The goal is to address taxing difficulties posed by digital transactions transcending national borders, establishing a more equitable taxation model for the digital age.

analytics investments streamline tax processes, minimize errors, and bolster compliance. Machine learning algorithms now analyze vast datasets, identifying tax evasion patterns and enhancing tax collection efficiency.

This article delves into key trends and initiatives characterizing the ongoing transformation of tax systems in developed countries.

Digital Taxation:

The rise of the digital economy challenges traditional tax frameworks. Developed countries increasingly recognize the necessity of ensuring digital businesses contribute equitably to national coffers. Consequently, many jurisdictions implement or consider digital services taxes (DST) to capture revenue generated by multinational tech companies. The goal is to address taxing difficulties posed by digital transactions transcending national borders, establishing a more equitable taxation model for the digital age.

Global Minimum Corporate Tax Rate:

A significant recent development is the push for a global minimum corporate tax rate, spearheaded by the Organization for Economic Cooperation and Development

(OECD). This initiative aims to curb tax avoidance by multinational corporations, ensuring a minimum payment regardless of operational jurisdiction. This promotes fair competition and addresses concerns about profit shifting to low-tax regions.

Environmental Social Responsibility Taxes:

Developed countries increasingly integrate environmental considerations into tax policies. To combat climate change, some nations implement eco-taxes, taxing carbon emissions and environmentally harmful activities. These measures generate revenue and incentivize businesses to adopt sustainable practices, reflecting a broader commitment to creating a greener and more socially responsible economy. Consequently, tax incentives focus on promoting corporate social responsibility beyond economic activities.

Progressivity, Simplification, and Transparency:

A notable trend in modern tax reforms emphasizes progressivity, reassessing tax structures for more equitable distribution. This includes adjusting income tax brackets and higher rates for top earners to promote social cohesion and address wealth concentration concerns. Simplification efforts aim to reduce complexity and enhance transparency, making compliance easier and contributing to efficient administration. The goal is a clear, predictable tax system that supports economic growth while minimizing tax evasion opportunities.

Incentivizing Innovation and Research:

To boost economic growth and competitiveness, some developed countries introduce tax incentives for innovation and research. These may involve tax credits, deductions, or favorable treatment for businesses engaged in research activities, encouraging investment in innovation to remain at the technological forefront.

Conclusion:

Modernizing tax systems in developed countries proactively tackles 21st-century challenges and opportunities. Digitalization, environmental sustainability, and global cooperation are central themes in ongoing reforms. As nations navigate the complexities of the modern economy, creating fair, efficient, and adaptive tax systems remain crucial for sustained economic growth and societal well-being. Success in these reforms hinges not only on increased revenue but also on crafting responsive tax frameworks that evolve with a dynamic global economy.



Sami Ullah Khan, ACA
Head of Risk & Compliance at Save the Children
International, Pakistan Office.



Pakistan's Role in Global Tax Evolution

Mr. Faraz Anwer, ACA

Introduction:

In an increasingly interconnected world, borders are becoming more permeable, and tax dynamics are evolving at an unprecedented pace. Global tax reform isn't merely a slogan; it's a transformative force reshaping the landscape for businesses and governments. This article delves into global tax trends and examines Pakistan's position in this ever-changing paradigm.

Understanding Global Tax Reforms:

The impetus behind global tax reforms has rapidly grown in recent years, focusing on combating tax evasion and ensuring fair distribution of tax revenues. Organizations such as the Organization for Economic Co-operation and Development (OECD) spearhead initiatives like the Base Erosion and Profit Shifting (BEPS) project.

For Pakistan, adhering to these global standards is not only a matter of compliance but also a strategic necessity. The country's tax authorities actively engage in international forums, collaborating with global counterparts to establish a robust framework that promotes transparency and curtails illegal fund flows.

Impact on Pakistan's Tax Laws:

Global pressure for tax transparency has prompted Pakistan to reassess its domestic tax laws. Measures like Country-by-Country Reporting and Automatic Exchange of Information reflect the country's commitment to aligning its tax regulations with international standards. These mechanisms not only enhance transparency but also enable tax authorities to have a clearer understanding of the global activities of multinational corporations.

Compliance Incentives and Deterrence of Tax Evasion:

An essential aspect of global tax reform is creating an environment that rewards tax compliance and deters tax evasion. Pakistan is committed to simplifying its tax system, making it more user-friendly while plugging loopholes. The introduction of electronic filing systems and online tax portals streamlines the tax process and makes it easier for taxpayers to fulfill their obligations.

Additionally, the Federal Board of Revenue (FBR) in Pakistan leverages technology to enhance enforcement capabilities. Using data analysis and artificial intelligence in tax management helps identify potential tax evaders and optimize the audit process. This ensures a fair and equitable tax system and sends a clear message that tax evasion will not be tolerated.

Challenges and Opportunities:

Adapting to global tax trends brings many benefits but isn't without challenges. The ever-evolving global tax landscape necessitates flexibility

The impetus behind global tax reforms has rapidly grown in recent years, focusing on combating tax evasion and ensuring fair distribution of tax revenues. Organizations such as the Organization for Economic Co-operation and Development (OECD) spearhead initiatives like the Base Erosion and Profit Shifting (BEPS) project.

from tax authorities and businesses to adapt to new regulations. For Pakistan, this means continuously updating tax laws and ensuring its workforce has the skills to navigate this complex environment.

However, challenges also present opportunities. Pakistan, with its young population and vibrant entrepreneurial spirit, is well-positioned to benefit from the shift towards innovation and technological change globally. By fostering an environment that attracts foreign investment and promotes domestic business prosperity, the country can not only attract foreign investment but also contribute to fairness and transparency in the international tax environment.

IMF and Pakistan Tax Reforms:

The collaboration between the International Monetary Fund (IMF) and Pakistan in the realm of tax reform has been instrumental in shaping the country's economic landscape. Over the years, Pakistan has engaged in multiple IMF programs, focusing significantly on comprehensive tax reforms. The partnership aims to bolster fiscal sustainability, enhance revenue collection, and align Pakistan with international standards.

Key areas of focus in the IMF-Pakistan tax reform initiatives include broadening the tax base, improving tax administration, and addressing issues related to compliance and governance. The IMF provides not only financial support but also invaluable expertise, offering a structured framework for the implementation of effective tax policies. This collaboration has proven crucial in navigating the challenges posed by Pakistan's complex economic environment.

Structural reforms, often integral components of IMF programs for Pakistan, are designed to bring about lasting changes in the tax landscape. These reforms aim to create a more transparent, equitable, and efficient tax system. They address not only immediate financial concerns but also

Global pressure for tax transparency has prompted Pakistan to reassess its domestic tax laws. Measures like Country-by-Country Reporting and Automatic Exchange of Information reflect the country's commitment to aligning its tax regulations with international standards. These mechanisms not only enhance transparency but also enable tax authorities to have a clearer understanding of the global activities of multinational corporations.

long-term sustainability, laying the groundwork for a resilient and adaptive economic structure.

The IMF's role extends beyond financial assistance; it serves as a guide for Pakistan in developing and implementing measures that foster economic growth and stability. The emphasis on good governance, compliance, and the expansion of the tax base reflects a shared commitment to building a robust fiscal framework.

As Pakistan progresses through various IMF programs, the collaboration continues to evolve, with a mutual understanding that sustainable economic development requires continuous adaptation to global standards. The IMF-Pakistan partnership in tax reform underscores the significance of international cooperation in addressing economic challenges, ensuring that Pakistan remains on a path toward financial resilience and prosperity.

Tech-Driven Tax Transformation:

In the realm of global tax reform, Pakistan faces both challenges and opportunities that demand innovative solutions. To address the complexities of the digital economy, the country could consider refining its approach to taxing digital services by collaborating with international partners to develop a comprehensive framework. Emphasizing education and training programs for tax professionals and businesses will be essential to ensure a smooth transition and ongoing compliance with evolving global standards. Additionally, leveraging technology for enhanced data analytics and risk assessment can strengthen the effectiveness of tax administration, facilitating more targeted enforcement efforts. Pakistan may also explore incentives for businesses engaged in sustainable practices, aligning its tax policies with global trends favoring environmental and social responsibility.

Collaborative efforts between the public and private sectors, as well as active participation in international forums, will

Pakistan, with its young population and vibrant entrepreneurial spirit, is well-positioned to benefit from the shift towards innovation and technological change globally.

be vital in shaping a tax environment that not only meets global expectations but also fosters domestic economic growth.

Conclusion:

As the world experiences a paradigm shift in taxation, Pakistan finds itself at a crucial juncture. The country's dedication to global tax reform is evident through its embrace of international standards and proactive measures to tackle emerging challenges. By harmonizing its tax laws with global trends, Pakistan not only bolsters its economic standing but also plays a pivotal role in establishing a fair and transparent global tax environment.

In the forthcoming years, Pakistan's ability to navigate the intricate landscape of global tax reform will hinge on its capacity to strike a balance between compliance and policies conducive to business growth. As the country progresses, it holds the opportunity not only to meet international expectations but also to emerge as a regional leader in the ever-evolving realm of taxation.



Faraz Anwer, ACA
The writer is a Head of Internal Audit at Merit Packaging Limited.



Decoding Pillar Two 2024: Navigational Insights

Mr. Muhammad Hunain, FCA

In the dynamic realm of international business, change remains the sole constant. As we embark upon 2024, the multinational corporate landscape braces for a seismic shift with the advent of Pillar Two tax reform. This isn't just your average tax update; it's a transformative force demanding the attention of CEOs, CFOs, and boards alike.

Scheduled for implementation in 2024, Pillar Two, an international tax reform involving 138 countries representing

In the dynamic realm of international business, change remains the sole constant. As we embark upon 2024, the multinational corporate landscape braces for a seismic shift with the advent of Pillar Two tax reform.

At its core, Pillar Two endeavors to institute a global minimum tax of 15% on income for multinational enterprises generating an annual revenue of €750 million or more in each country of operation. Spearheaded by the Organization for Economic Cooperation and Development's (OECD) Inclusive Framework, this initiative seeks to curb tax rate disparities among nations.

90% of global economic activity, aims to halt the "race to the bottom" in corporate tax rates.

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For the C-suite, this transcends routine compliance—it demands a comprehensive strategic reassessment. CEOs, CFOs, and board members are tasked with navigating the complexities of Pillar Two, acknowledging implications that extend far beyond the financial sphere.

With the 2024 deadline looming, compliance emerges as a pressing concern. Pillar Two mandates the provision of over one hundred data points for each entity within multinational corporations. The challenge isn't solely volume but also diversity, requiring certain information not previously

collected for any other purpose. Establishing real-time data capture systems is no longer a suggestion; it's an indispensable step in readiness for the impending compliance storm.

Come 2024, the impact of Pillar Two won't be confined to tax departments. Compliance orchestrates a symphony encompassing accounting, legal, and information technology units. Detailed information on entity locations, legal forms, assets, and shareholders becomes crucial, transcending tax-centric silos. Collaboration and communication across departments become paramount, with automation emerging as a pivotal tool to manage the scale and complexity of required data.

However, Pillar Two presents distinct challenges for different multinational enterprises. Those primarily operating in higher-tax jurisdictions might face a significant but manageable compliance burden. Conversely, for companies with operations in low-tax jurisdictions, Pillar Two could significantly alter their operational strategies, questioning the viability of certain locations.

Pillar Two's impact isn't confined to tax compliance alone—it reverberates through merger and acquisition (M&A) strategies. Companies must reconsider the strategic benefits of acquisitions, weighing them against additional tax burdens and compliance costs. For entities already surpassing the revenue threshold, acquiring a company with low-taxed operations could reshape their tax profile, potentially resulting in substantial additional tax obligations.

In navigating this uncharted territory of Pillar Two, it's evident—it's not solely about tax compliance; it's a paradigm shift in thinking. Governments incentivizing low income taxes might need to reconsider their strategies. Similarly, companies might find themselves obliged to globally disclose formal tax strategies, offering transparency in their approach to taxation.

Within the vast tapestry of global business, Pillar Two isn't just a chapter—it's a new narrative. It compels leaders to reevaluate, recalibrate, and reimagine their approach to taxes. CEOs, CFOs, and board members aren't mere spectators; they're protagonists guiding their organizations through a tax odyssey demanding strategic evolution, not just compliance. The era of Pillar Two is upon us—adaptation isn't a choice; it's a necessity. The business landscape is shifting, and for CEOs, it's time to spearhead the charge into this new tax frontier.



Muhammad Hunain, FCA
CFO at Karachi Gateway Terminal [Private] Limited.



Global Tax Reform: A Critical Examination and Examples

Mr. Riaz UI Abbas, ACA

Introduction:

Global tax reform has emerged as an urgent issue amidst the evolving international economic landscape propelled by technological advancements, increased cross-border trade, and the ascendancy of the digital economy. The prevailing global tax system, characterized by loopholes and inadequacies, has struggled to keep pace with these changes, fostering concerns regarding tax avoidance, profit-shifting, and an inequitable distribution of tax responsibilities.

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This analysis delves into pivotal aspects of global tax reform, dissecting challenges, proposed remedies, and substantiating insights with live examples to illustrate practical implications.

Challenges in the Current System:

Profit-Shifting:

One of the foremost hurdles in the current global tax system is the practice of profit-shifting by multinational corporations. These companies often exploit differences in tax rates among countries, strategically allocating profits to jurisdictions with lower tax rates. An illustrative example is the manipulation of transfer pricing mechanisms; wherein intra-company transactions are orchestrated to shift profits to subsidiaries in low-tax countries.

Live Example:

In the early 2010s, major technology companies faced scrutiny for intricate structures used to transfer profits to low-tax jurisdictions. For instance, Apple's tax practices in Ireland were investigated, uncovering the utilization of subsidiaries to diminish tax liabilities. This underscored the complexities of taxing profits generated in one country but reported in another.

Digital Economy Challenges:

The digital economy poses distinctive challenges to the existing tax framework. Traditional rules reliant on physical presence struggle to capture the economic value produced by digital businesses operating globally without significant physical footprints. This has enabled tech giants to amass substantial revenues while evading taxation in many markets they serve.

Live Example:

Companies like Amazon, Google, and Facebook have faced criticism for their tax practices. For example, Google's use of subsidiaries in tax-friendly locations has stirred controversy. These instances underscore the difficulty in attributing profits to jurisdictions where digital transactions occur and where economic value is created.

Proposed Solutions:

Base Erosion and Profit Shifting (BEPS) Project:

Led by the OECD, the BEPS project aims to bridge gaps and mismatches in international tax regulations. It strives to prevent multinational enterprises from artificially shifting profits to low or no-tax locations, offering comprehensive recommendations to enhance transparency and cooperation among countries.

Live Example:

The BEPS project has triggered changes in domestic legislation and international agreements. Many countries have implemented Country-by-Country Reporting (CbCR), mandating multinational companies to disclose information about their business activities, profits, and taxes paid in each jurisdiction. This augmented transparency assists tax authorities in evaluating whether profits align with the economic substance of the business.

Global Minimum Corporate Tax Rate:

The proposal for a global minimum corporate tax rate gained momentum, aiming to deter a race to the bottom wherein countries compete by slashing their corporate tax rates to allure multinational corporations. The objective is to establish

The digital economy poses distinctive challenges to the existing tax framework. Traditional rules reliant on physical presence struggle to capture the economic value produced by digital businesses operating globally without significant physical footprints. This has enabled tech giants to amass substantial revenues while evading taxation in many markets they serve.

a baseline for corporate tax rates globally, discouraging profit-shifting to low-tax jurisdictions.

Live Example:

In July 2021, G20 finance ministers endorsed a global minimum corporate tax rate of at least 15%. This marked a significant stride towards international tax cooperation. If enacted, this minimum tax rate could level the playing field, ensuring companies contribute a fair share of taxes irrespective of their operating locations.

Digital Taxation and Allocation of Profits:

Efforts are underway to revise rules for taxing the digital economy. The focus is on allocating taxing rights based on significant economic presence, such as a substantial user or consumer base, rather than solely relying on physical presence.

Live Example:

The European Union has led proposals for a digital tax, with some member countries implementing or planning to implement unilateral measures. For instance, France introduced a digital services tax targeting large tech companies. However, these unilateral measures have faced criticism, emphasizing the necessity for a coordinated international approach.

Impact on Economies:

Increased Tax Revenues:

Successful global tax reform holds the potential to augment tax revenues for countries, particularly those adversely affected by profit-shifting. This could equip governments with additional resources to fund public services, infrastructure, and social programs.

Fairer Distribution of Tax Burden:

A global minimum corporate tax rate aims to create a more equitable playing field among countries, reducing the incentive for companies to engage in aggressive tax planning. This contributes to a fairer distribution of the tax burden, averting scenarios where certain jurisdictions shoulder disproportionate tax responsibilities.

Challenges and Concerns:

Despite the potential advantages, challenges persist. The feasibility of implementing global tax reforms hinges on countries' willingness to cooperate, the effectiveness of compliance mechanisms, and the ability to strike a balance between preventing tax avoidance and maintaining a competitive business environment.

Conclusion:

Global tax reform presents a multifaceted challenge necessitating coordinated efforts to address the inadequacies of the existing international tax system. Live examples, such as investigations into tech giants' tax practices and the endorsement of a global minimum corporate tax rate, underscore both the urgency and complexity of the issue. As discussions and negotiations continue, the international community must navigate a path that ensures fairness, transparency, and cooperation in the taxation of businesses operating across borders. The one-year anniversary of this analysis serves as a checkpoint in a dynamic landscape, where ongoing developments will sculpt the future of global tax policy.



Riaz Ul Abbas, ACA
Financial Controller with Tundra Mechanical &
Millwrighting and Executive Registration Committee
member for CPA SK.



Global Tax Reforms and Their Implication for Pakistan

Mr. Irfan Aleem, ACA

We are living in the era of digital globalization; as technology continues to advance, global economic interconnections are growing deeper, stronger, and increasingly intricate. This upsurge in the last few decades has created new business models and opportunities. As emerging business models evolve, cracks in the existing taxation system become more evident. Policymakers and academics are criticizing the current tax system as outdated and inequitable. Big tech corporations avoid higher taxation by shifting their profits to

tax havens. This leads to growing tax competition among global economies, i.e., in a tax rate race, to attract corporate giants and foreign direct investments.

Two-Pillar Tax Reforms

To prevent this global tax rate race and level the playing field for all economies, global tax reforms are unavoidable. The Organization for Economic Co-operation and Development (OECD) is aiming to implement a two-pillar tax framework.

130+ countries have signed an agreement to provide necessary coordination and remove digital services tax to tackle challenges arising from the digitalization of the economy.

The first pillar sets the rules for the fair allocation of profits based on the market share of the business rather than the location of the registered office. This rule aims to deter the base erosion and profit shifting (BEPS) practices of multinational corporations. This rule applies to corporations with annual global tax revenue exceeding 20 billion euros and 10 percent profitability.

The second pillar introduces a global minimum effective tax rate of 15 percent. This is enforced through a set of top-up tax rules. For instance, if a country where operations take place levies taxes below this minimum, then the country where the corporate headquarters are located can collect additional taxes to reach the minimum rate. The second pillar attempts to stop the “race to the bottom” and ensure a minimum tax of 15 percent on corporate giants. This rule is intended for corporations with an annual global revenue exceeding 750 million euros.

This framework marks a paradigm shift in the existing tax system as the consumer market is less mobile than intangible capital such as patents or technology.

These global tax reforms are an important step in the right direction; they are not only cutting back on profit shifting into investment hubs but also easing pressure on global economies to compete through tax incentives. However, the complexity of these reforms makes their implementation challenging for the OECD, especially for developing countries with little or no proper documentation. Furthermore, achieving consensus among all stakeholders on rules proves to be a complex and cumbersome task.

Situation in Pakistan

The situation is no different in Pakistan. Big tech companies like META, GOOGLE, and BYTEDANCE have millions of users. They are reaping billions of dollars in revenue from local businesses in Pakistan, all without establishing a physical presence within the country. Consequently, these entities don't fall under local jurisdiction. Such corporations are not paying their fair share of taxes, while their operations are exacerbating the current account deficit.

These corporations operate in Pakistan through their branch liaison offices that provide technical support and consultancy services to local users. Their branch liaison offices are registered in countries with which Pakistan has entered double taxation treaties. Under these treaties, such businesses can't be taxed in Pakistan to avoid double taxation by fulfilling their obligation in home countries.

Our current tax system charges a withholding of 5% on payments to these tech giants, which is borne by local advertising agencies, thus increasing their cost of doing business and making them less competitive.

Impact on Our Economy

A minimum rate of 15% will become the new global standard for corporate taxation, and in our taxation system, the corporate rate stands at 29%. This misalignment is a double-edged sword for policymakers; on one hand, aligning the tax rate with the global benchmark may lead to a reduction in tax revenue necessary for developmental activities. On the other hand, if left unaddressed, this misalignment could hamper business growth in Pakistan. Addressing this dual challenge requires a comprehensive strategy to secure the fiscal health and competitiveness of Pakistan's businesses.

This minimum global benchmark could also affect the government's ability to attract foreign investment through tax incentives.

Global tax reforms empower Pakistan to generate tax revenue within its jurisdiction, irrespective of the principal office territory of registration. However, to achieve this, a serious effort is required to enhance the documentation of our economy.

A concerted effort at the government level is imperative to assess the potential impact of the Two-Pillar Framework on Pakistan's economy. It is important to equip ourselves with the necessary measures to mitigate the effects of forthcoming changes on our economy and business landscape. This includes formulating and incorporating new regulations into domestic law that stem from the implementation of the Two-Pillar Framework.

Conclusion

This framework has the potential to create a level playing field for corporations, enabling countries to attract businesses based on the skill set of their workforce and ability to innovate, rather than relying on lower tax rates or preferential tax treatments to attract companies. And this is where Pakistan should find the opportunity to shine. Through the formulation of business-friendly policies and by leveraging our relatively young population, we can strategically tap our market share amid the potential reshaping of business practices resulting from global tax reforms.



Ifan Aleem, ACA

The writer is a CA with extensive and diverse expertise in tax consultancy and financial modeling.



OVERALL GLOBAL TAX REFORMS & PAKISTAN

Mr. Salahuddin Mahmood, FCA

The Prophet's Prophecy:

Envisioning Pakistan's Evolution into the Economic Citadel of Islam by 27 Ramadan 2028 and a Global Superpower by 27 Ramadan 2033 - Paving the way for a world characterized by peace, prosperity, friendship, unity, and harmony, drawing people from every corner of the globe to witness a vision of paradise right here in Pakistan.

“The concept of a "futuristic eternal and transcendent singular superstate," "Economic Castle of Islam in 27 Ramzan 2028," and "World's Super Power Pakistan in 27 Ramzan 2033" represents a factual and not speculative notion.”

“ Around 1400 years ago, it is reported that the Holy Prophet Muhammad (PBUH) sensed cool winds from the eastern region of India. There are accounts suggesting that during his stay in England, the Prophet (PBUH) conveyed a spiritual message to Quaid-e-Azam, urging his participation in India's freedom movement, ultimately leading to the creation of Pakistan. It's believed that the Prophet (PBUH) assured support, drawing parallels to his experiences in Medina. ”

The concept of a "futuristic eternal and transcendent singular superstate," "Economic Castle of Islam in 27 Ramzan 2028," and "World's Super Power Pakistan in 27 Ramzan 2033" represents a factual and not speculative notion.

Historical Prophetic Encounter

Around 1400 years ago, it is reported that the Holy Prophet Muhammad (PBUH) sensed cool winds from the eastern region of India. There are accounts suggesting that during his stay in England, the Prophet (PBUH) conveyed a spiritual message to Quaid-e-Azam, urging his participation in India's freedom movement, ultimately leading to the creation of Pakistan. It's believed that the Prophet (PBUH) assured support, drawing parallels to his experiences in Medina.

Existential Contemporary Prophecy

There's a claim that Prophet Muhammad (PBUH) prophesied the completion of Pakistan as a global Superpower on 27th Ramadan 2033. This insight is spiritual and mystic, gained through prophetic encounters and verified through reliable spiritual sources.

Constitution of Pakistan 1973 - Article 29

The Principles of Policy outlined in this Chapter are to be followed by every organ, authority, or individual acting on behalf of the State.

A- General Global Tax Laws

- 1- Halal Economy Boost:
Implementing tax incentives to support businesses operating per Islamic principles.
- 2- Zakat Integration:
Introducing a system to integrate Zakat collections into the national tax framework.
- 3- Islamic Finance Hub:
Providing tax breaks to encourage the growth of Islamic banking.
- 4- Green Energy Tax Credits:
Offering tax credits for investments in sustainable energy sources.
- 5- Smart Infrastructure Investments:
Incentivizing investments in advanced infrastructure like smart cities.
- 6- Education Technology Deductions:
Encouraging the adoption of educational technologies through tax deductions.
- 7- Research and Development Incentives:
Providing tax breaks for companies engaged in R&D.
- 8- Social Entrepreneurship Tax Relief:
Granting tax relief for businesses focusing on community development.
- 9- Digital Economy Taxation Framework:
Establishing a comprehensive tax framework for digital economy activities.
- 10- Global Trade Harmonization:
Working towards a standardized global trade taxation system.
- 11- Islamic Tourism Promotion:
Offering tax incentives to boost Islamic tourism.
- 12- Space Exploration Tax Credits:
Encouraging investment in space technology through tax credits.
- 13- Global Health Initiative:
Implementing a tax to fund international health initiatives.
- 14- Artificial Intelligence Tax Policy:
Establishing tax policies for income generated by AI.
- 15- Cryptocurrency Regulation:
Introducing a regulatory framework for cryptocurrencies and their taxation.
16. Cultural Heritage Preservation Fund:
 - Implementing a tax to fund the preservation of historical sites.
17. Global Carbon Tax:
 - Introducing a worldwide carbon tax to address environmental concerns.
18. Humanitarian Aid Deductions:
 - Allowing deductions for businesses contributing to humanitarian aid efforts.
19. Universal Basic Income Experiment:
 - Introducing a tax-funded universal basic income experiment to address economic disparities.

“ There's a claim that Prophet Muhammad (PBUH) prophesied the completion of Pakistan as a global Superpower on 27th Ramadan 2033. This insight is spiritual and mystic, gained through prophetic encounters and verified through reliable spiritual sources. ”

20. Global Cybersecurity Initiative:
 - Creating a tax fund to support international efforts in combating cyber threats.
21. Interstellar Commerce Tax Guidelines:
 - Developing tax guidelines for potential interstellar commerce.
22. AI Ethics Fund:
 - Creating a fund from AI-related taxes to support ethical AI development.
23. Quantum Technology Tax Breaks:
 - Encouraging investment in quantum technology through tax breaks.
24. Interplanetary Resources Tax:
 - Implementing a tax system for businesses engaged in off-Earth resource extraction.
25. Peacekeeping Operations Levy:
 - Introducing a tax to fund international peacekeeping operations.

B- Laws and Taxes to Combat Financial Crimes

1. Asset Forfeiture:
 - Laws allowing the seizure of assets acquired through illegal means.
2. Anti-Money Laundering (AML) Penalties:
 - Imposing fines for non-compliance with anti-money laundering regulations.
3. Tax on Undisclosed Income:
 - Levying taxes on income not reported to tax authorities, often associated with illicit activities.
4. Whistleblower Rewards:
 - Providing rewards for individuals aiding in the recovery of illicit funds.
5. International Cooperation:
 - Agreements between countries to share information on financial crimes.
6. Beneficial Ownership Disclosure:
 - Requiring companies to disclose their ownership to prevent misuse for illicit purposes.
7. Anti-Corruption Laws:

- Imposing penalties for corrupt practices.
8. Tax Evasion Penalties:
 - Levying fines for tax evasion.
 9. Anti-Fraud Measures:
 - Laws targeting fraud in commercial and political contexts.
 10. Freezing of Assets:
 - Government action to freeze suspected illicit assets.
 11. Civil and Criminal Asset Recovery:
 - Legal procedures to recover assets through civil and criminal proceedings.
 12. Unexplained Wealth Orders:
 - Tools requiring explanation of disproportionate wealth.
 13. Secrecy Law Reforms:
 - Changing laws to increase financial transaction transparency.
 14. Anti-Corruption Compliance Programs:
 - Mandating businesses to establish anti-corruption programs.
 15. Political Funding Transparency:
 - Measures to enhance transparency in political funding and contributions.

C- Sin Taxes

"Sins taxes" are imposed on products or activities deemed socially undesirable, such as:

1. Cigarettes
2. Alcohol
3. Beer
4. Wine
5. Liquor
6. Sugary Beverages
7. Junk Food
8. Fast Food
9. Gambling
10. Sweets and Confectionery
11. Soda
12. Marijuana
13. Firearms
14. Tanning Services
15. Carbon Emissions

These taxes generate revenue and discourage consumption due to perceived societal harms. The specific items taxed can vary based on cultural and health considerations in different regions.



Salahuddin Mahmood, FCA
Partner in Qadeer & Co Chartered Accountants
Lahore.



Global Tax Trends

Mr. Muhammad Faizan, ACA

Global tax reforms are responses to the emerging global economy. They have gained impetus in recent years as states grapple with complications posed by the digital economy and corporate tax rates. Prevailing tax reform frameworks are not organized to handle the convolutions of the digitalized

economy. The idea behind these reforms is to inculcate an equal dispersal of taxing rights among the states.

The proposal to overcome tax reform challenges is to introduce a global corporate tax rate so that companies pay a

Global tax reforms are responses to the emerging global economy. They have gained impetus in recent years as states grapple with complications posed by the digital economy and corporate tax rates. Prevailing tax reform frameworks are not organized to handle the convolutions of the digitalized economy. The idea behind these reforms is to inculcate an equal dispersal of taxing rights among the states.

minimum tax to prevent the shifting of profits to favorable tax jurisdictions (OECD 2013; Devereux and Loretz 2013; Clausing, Saez, and Zucman 2021; Tørsløv, Wier, and Zucman 2022) and restrain tax competition among states. Another major challenge being faced is the ever-rising digital economy since it is considerably difficult to establish where the value in the system shall be taxed. However, reaching consensus among countries with varied interests to reach an amicable solution for pursuing an effective global tax framework always remains a daunting task.

The Organization for Economic Cooperation and Development (OECD) has been at the forefront of these reforms' argument through its comprehensive framework, which aims to develop consensus-based solutions. To combat corporate tax evasion, tax competition, and overcome tax challenges in the digital economy, global policy leaders collaborated at the OECD level and launched the Base Erosion and Profit Shifting (BEPS) project in 2013. The goal of the BEPS project was to curb corporate tax avoidance by improving but not altering the prevalent tax system. Post conclusion of the BEPS project in 2018, by November 2019, the OECD proposed a reform under two pillars i.e., Pillar 1 and Pillar 2. Thus, this reform largely eradicates countries' incentives to engage in tax competition by offering low tax rates.

The global tax reforms have momentous implications for the economy of Pakistan. Unfolding these proposals will lead to greater economic prosperity. These reforms will potentially surge government revenue, ultimately contributing to public spending by providing better resources and infrastructure development. Implementation of a global tax framework will also attract foreign direct investment, as these investors will be more inclined towards a fair and transparent tax system. A standardized and integrated global tax system would also lead corporations to permanently undertake their business

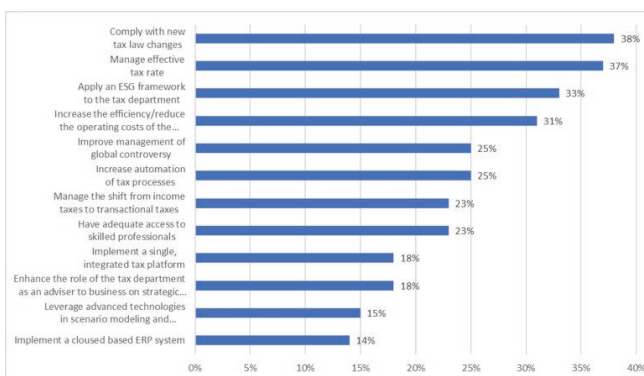
operations in Pakistan and would not relocate to jurisdictions categorized as tax havens to avoid tax. Nevertheless, considering that Pakistan is a developing country, it should match global tax reforms with the needs and capacities of economies at different stages of development.

Tax departments at many corporations are now enduring essential transformation in response to a pointedly altered legal and regulatory environment, including the OECD's Pillar Two requirements, and intensifying indirect taxes across the globe. With the purpose of responding effectively to these changes, tax departments should have access to precise and opportune tax data related to the company's operations across the globe.

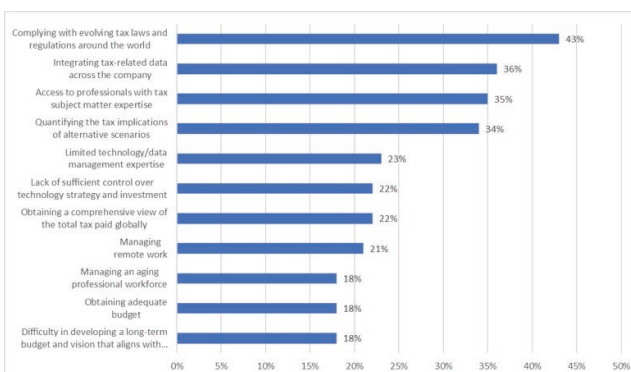
As per Jesus Bravo Fernandez, Head of Indirect Tax, Transfer Pricing, and Tax Technology at Coca-Cola Europacific Partners, "It's a priority to meet compliance requirements, which are becoming significantly challenging these days, such as Pillar Two and e-reporting. All these new kinds of compliance are very connected to technology and digitalization."

A global survey named Deloitte's 2023 Tax Transformation Trends Research was conducted, comprising 300 senior tax officials and finance executives, along with a series of interviews with tax experts.

According to the said survey, top primacies of tax department over the next three to five years were ranked as follows:



According to the said survey, greatest impediments to be faced by the tax department over the next three to five years were ranked as follows:



As per Jesus Bravo Fernandez, Head of Indirect Tax, Transfer Pricing, and Tax Technology at Coca-Cola Europacific Partners, “It’s a priority to meet compliance requirements, which are becoming significantly challenging these days, such as Pillar Two and e-reporting. All these new kinds of compliance are very connected to technology and digitalization.”

In latest years, countries have contested significant changes to international tax rules affecting the companies worldwide. In October 2021, after discussions at OECD, 138 of 142 Inclusive Framework member jurisdictions consented to an framework for new tax regulations. As per the agreement, large corporates would pay higher taxes in jurisdictions where the company’s customer base exists and would pay less tax where the company’s headquarters, employees, and operations exist. In addition, the agreement sets out a global minimum tax of 15% due to which the taxes on companies with earnings in low-tax jurisdictions will increase.

The OECD proposal was followed by the guidelines that were already under discussion since 2019. The reforms encompass two pillars, as follows:

Pillar One where large corporates would pay taxes roughly \$125 billion in profits

Pillar Two leads to global minimum tax expanding tax revenues by approximately \$150 billion, internationally.

Salient features of Pillar One are as follows:

- applicable on companies with more than €20 billion in revenues and profit margin above 10%.
- a portion of their profits would be taxed in jurisdictions where they have sales; 25% of profits over a 10% margin may be taxed.
- post review period of seven years, the €20 billion threshold may be decreased to €10 billion.

Salient features of Pillar Two are as follows:

- global minimum tax applicable on companies with more than €750 million in returns.
- consists of four rules, which includes Domestic Minimum Tax, Income Inclusion Rule, Undertaxed Profits Rule and Subject to tax rule

In December 2022, the EU unanimously agreed to the Minimum Tax Directive according to which all EU Member States should switch into Pillar Two legislation by the end of 2023. Moreover, South Korea also consented on legislation that was in consensus with Pillar Two. UK and Japan have also released draft legislation whereas, Switzerland is also taking measures to adopt Pillar 2 via public vote, whereas several other jurisdictions also are moving ahead towards implementation of Pillar 2. Kenya, Nigeria, Pakistan, and Sri Lanka have not yet agreed on these reforms.

As per Rocio Reyero Folgado, EY EMEIA Tax Leader, “The complexity of the Pillar Two rules and the short timeframe before they take effect are creating significant compliance challenges. The rules for applying the top-up tax require significant data collection and calculation.”

However, delays in implementation were noted due to disagreement on the policy which pressed the timeline for a multilateral treaty on Pillar One to mid-2023 and implementations of Pillar Two to 2024. However, with the reforms to kick in the start of 2024 companies would also need to consider the impact of Pillar 2 on the financial reporting as well.

With the perspective to assist the multinational organizations adapt to Pillar Two’s complexities, 2024 returns will not be due until 18 months after the end of that year. By this time i.e., around mid-2026, organizations would be well versed with these reforms and will be able to build infrastructure that will permit to capture the compliance data.

As per Hungerford, “One of the truisms of financial data is if you don’t capture it in real time, oftentimes you don’t ever capture it.”

As per Luis Coronado, EY Global Tax Controversy Leader, “The multilateral dimensions of Pillar Two are likely to bring controversy in future years, so companies will need to be ready,”

To ease the burden of implementing Pillar 2 compliance, the OECD consented to develop a set of temporary “safe harbors,” interim measures that would exclude few organizations in lower-risk jurisdictions from the ambit of Pillar Two rules in the preliminary period. Businesses still need to assess whether these rules apply, accumulate the necessary safe harbor data, and have a back-up plan for those countries where the safe harbor requirements are not met.



Muhammad Faizan, ACA
VP- Internal Audit Division at Habib Metropolitan
Bank Limited



Taxation Shifts: Global Reform Insights

Mr. Khizar Hayat, ACA

Mutuality in Tax Landscaping / Tax Transformations:

The era of international commodity trades and e-commerce is reshaping traditional isolated commercial deals, integrating them into the global economy while reducing the impact of tax silos. Transactional efficiencies are expanding in tax impacts across supply chain levels. Financial markets are moving towards unitary cross-border incidents.

Continental common layouts and regional monetary connotations are expected to pave the way for mutuality in tax planning and landscaping. Incentives and concessions in international tax conferences are recognized as catalysts for true transformations, spreading direct levies liberation across supply chain levels. Capital and equity markets are striving to transfer and integrate globally, emphasizing standardization of allied incidentals and simplicity requisites.

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Trade Differentials / Cooling off Costs Pushing:

In the EU, the focus is shifting towards levies based on differential values rather than whole valuations, aiming to eliminate inflation boosters and hefty claims across the supply chain. VAT variants in the Western world address additive levies for product and process competitiveness. Stable economies rely heavily on single-stage collections with maximum compliance efficacies. Fractional corporate taxation has reshaped global economic scenarios into global alliances and bona fide stake holdings.

Sharing Impacts / Absorption:

For FDI attraction, the declaration of regional special zones may facilitate concurrent flows. In deals between developed and developing states, levies applications revolve around sharing profits to the extent of mutual rationality, division based on differential taxes according to international enactments, and the disclosure of taxes within public sector domains. FDI would be complemented by states through the shuffling of levies among states and foreign holdings instead of profits. Repatriation would be allowed to the extent of tax impacts on marginal value creations to safeguard local infrastructural support. Under the umbrella of FDI institutions/agencies, foreign outlays would be allowed to the extent of tax impacts on marginal value creations. Global realization in international financial hubs may involve pegging any foreign accretions by developing countries into developed countries, formalized through state levels, meshed private trades through proper bonds, and time-bounded global individuals' layerings.

Foreign Repatriation Amnesty / Country -Specifics:

Across the globe, to supplement economic grading, inward remittances are facilitated with proper measures, subject to receipts being utilized for capital formation in home venues. Key targets include simplifying tax regimes, extending tax

holidays, defining different venues, establishing separate systems beyond conventional ones, and setting targets at council/ministerial levels as part of regressive strategic management. Corporate formation, networking, and trade shuffling/matching are integral components. External receipts are accounted for in the home place regardless of earnings states.

Channels / Transfer Formalization:

Divergences among variables have transformed into newer developments across continents. Regional conglomerates are subject to international vetting. Fintechs, along with regulatory advancements, make it harder for informal pathways to sustain. International connectivity/cellular joiners enhance timely tax/levy retrievals. Technologies upstream paving the way for global taxation should address inhibitions or overt outcomes like cellular transmission barriers, bypass/interferences, interpretation vulnerabilities, misconceptions about levies, and risks of non-levying.

International Vet / Weighing:

Legal frameworks are prevalent globally in e-commerce deals and trade settlements. Professional bodies are deliberating on affiliated frameworks concurrently for revenue amplifications. Future oversights need to address challenges like devising policies for continental common tax planning, managing digital flux channelizing, and deploying vetting frameworks and reassurances for all traffic beyond recorded pathways.

Groups Formation / International Multiplication:

Tax leverage is a prime motive internationally for FDIs, lending reviews/bargains, and capital placements. New accumulations have been witnessed in tax benevolence countries with abundant flavored supply chains. Gulf, Asia, and Africa are potentially lucrative areas bundled with appropriate policy frameworks for faster inductions of equities.

Regional Patterns / Enterprise Levels:

The evolution from conventional standalone tax regimes to modern regional/unionized/territorial expansions aims at cost reductions, efficient tax collections/centralization, avoiding tax burdens, unnecessary value chain adjustments, ease of business, competitiveness, market sizing, and brand magnification. Common public sector holdings among unitary blocks are pursued for operational optimization and tax savings across value chains. Building rich skills panoramas and information kiosks is another modern approach for reaping common tax opportunities. Safer forms involve global liquid market short-term placements with minimum tax incidents on value creations.

Under the umbrella of FDI institutions/agencies, foreign outlays would be allowed to the extent of tax impacts on marginal value creations. Global realization in international financial hubs may involve pegging any foreign accretions by developing countries into developed countries, formalized through state levels, meshed private trades through proper bonds, and time-bounded global individuals' layerings.

To address parity and inflation boosters, specialized products may be declared among continents for uniform regimes to deal with forex market valuations and general CPI. Mechanisms for non-transmission of international tax incidents associated with the supply chain should be designed to absorb locally with minimal outrages in other foreign markets, considering inflation multiplications and allied cartels' ramifications.

Challenges and Global Trends:

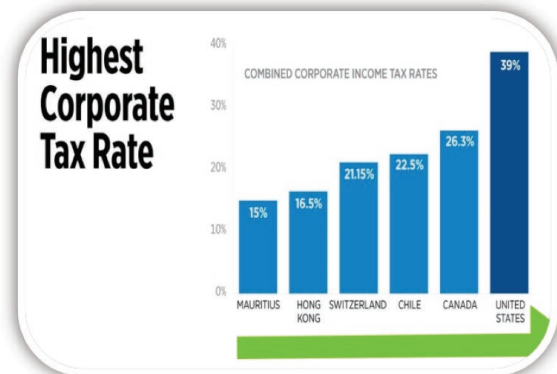
Standardized forms of taxation globally face challenges and backlogs alongside foreseeable diversifications. Global trade, while set to hit a record \$32 trillion in 2022, faces a gloomy outlook for 2023 due to geopolitical tensions, high energy prices, rising interest rates, and persistent inflation. The economic slowdown is expected to hit developing countries hard in 2023.

Despite challenges, instances of tax excellence and trends are noteworthy, both locally and abroad:

- Pakistan is expected to be among the top 10 economic powers globally by 2047.
- Dubai retains its position as a leading hub for residence and citizenship by investment (RCBI).
- Tharparkar Desert in Pakistan is considered the only fertile desert globally, serving solarization/coal installments akin to a tax haven.
- TAWAL, a KSA-based telecom company, has started operations in Pakistan, contributing to foreign investment and job opportunities.
- Coordination between Beijing, Tianjin, and Hebei province

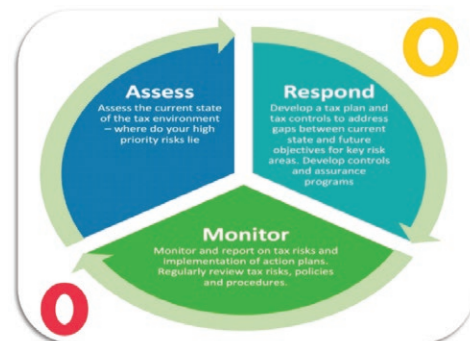
in North China has yielded remarkable results in traffic integration, economic development, industrial upgrading, and environmental improvements.

- The cost of insuring exposure to Pakistan's five-year sovereign debt has risen, hitting the highest-ever level.
- Meezan, the largest bank in Pakistan in terms of profit, earned substantial revenue before and after tax, paying a significant amount in taxes.
- Corporate philanthropy survey reports indicate that the contribution of listed companies to corporate donations globally is approaching the accepted level of 1% of profit after taxes.
- Rapidly growing areas in the financial services industry, such as digital payment services, fintechs, and digital assets, are changing the regulatory perimeter.



Radical / progressive changes in Tax culture would be revolving around under pinned principles:-

- Ease of business bundled with reductions in tax layers.
- Overlapping simplicities.
- Aligning with foreseeable horizons.
- Innovating in accordance with global benchmarks.
- Subsistutes mechanisms Availability in parallel.
- Realignment / flexibility in terms of reapings of international collaborations.
- Planning concurrent.



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Pitfalls and Considerations in Tax Planning, Reforms, and Trends:

Navigating tax planning, reforms, and trends comes with potential pitfalls and challenges, including:

- Economic and Policy Stability:**
The stability and consistency of economic policies are crucial for effective tax planning and reforms. Sudden changes in policies can create uncertainty for businesses and investors.
- Shrinkages in Investment Mediums:**
Limitations on investment options or a reduction in available mediums may hinder economic growth. Diversification in investment options is essential for a robust economic environment.
- Administrative Excellences:**
Efficient administrative processes are vital for the successful implementation of tax reforms. Bureaucratic hurdles and inefficiencies can impede the desired outcomes.
- Tax Liberation and Incentivization:**
Providing tax liberation and incentives is a balancing act to attract investments while ensuring sufficient revenue generation. Over-liberalization may lead to revenue shortfalls, impacting public services.
- International Level Playing Creations:**
Creating a level playing field at the international level involves aligning with global standards and avoiding unfair advantages. Harmonizing tax regulations internationally can be challenging due to diverse economic structures.
- Tax Networkings and Enhancers:**
Building effective tax networks and enhancers requires collaboration between governments, businesses, and international bodies.

The complexity of global tax frameworks can be a barrier to seamless networking.

- Instant Outcomes and Relevant Citations:**
The immediate outcomes of tax policies, reforms, and attractive trends can be observed in Foreign Direct Investment (FDI) flows. Examples include:

USA FDI Outflows (2021, 2020):

2021: \$403 billion

2020: \$235 billion

Thailand FDI Outflows (2021, 2020):

2021: \$17 billion

2020: \$19 billion

Net FPI in Pakistan (November 2023):

Net inflow of \$26.3 million in November 2023, the highest monthly inflow since July 2019.

Flagship Manifestos Behind Global Tax Innovating:

- Ribbling of Investment Mediums:**
The aim is to diversify and expand investment options, attracting both domestic and foreign investors. This contributes to economic growth and resilience.
- Maximizing Revenues Portfolios:**
Tax reforms often focus on optimizing revenue generation while ensuring fairness and compliance. A balanced approach is crucial to fund public services and infrastructure.
- International Placements Cushions Handling:**
Providing a conducive environment for international placements involves creating favorable tax structures. Handling these cushions requires ongoing collaboration and adaptability.
- Trades Enrichment:**
Tax policies that encourage trade and investment contribute to economic enrichment. Facilitating international trade enhances economic interconnections and growth.

The Benefits of Tax Reform



Khizar Hayat, ACA
Currently working at Attock refinery LTD - in Finance Department).



BEPS, ESG, and the Future of Global Taxation

Mr. Muhammad Awais, ACA

Introduction

The global economy today looks very different from what anyone might have predicted 10 or even five years ago. Tax systems play a vital role in enabling governments to build infrastructure, provide services, and more.

Fiscal Transformation

In the present era, defined by interconnected economies, rapid technological advancements, and a growing emphasis on sustainability, the world of taxation is undergoing a transformative evolution. Governments worldwide, including Pakistan, grapple with the challenges of an increasingly digitalized global economy. The landscape of global taxation is witnessing pivotal shifts known as "Fiscal Transformation," from the OECD's efforts to combat Base Erosion and Profit Shifting (BEPS) to ambitious proposals for a Minimum Corporate Tax Rate. Discussions on the Taxation of Digital Services and the integration of Environmental, Social, and Governance (ESG) consideration are also shaping international tax policies.

As we navigate this era of Fiscal Transformation, it becomes

imperative to dissect the key elements reshaping the global tax landscape.

Unraveling BEPS: A Fair and Transparent Global Tax Landscape

The Organization for Economic Co-operation and Development (OECD) has been leading the Base Erosion and Profit Shifting (BEPS) project. This involves multinational companies exploiting gaps and mismatches in tax rules, employing tactics such as transfer pricing manipulation and debt shifting to artificially shift profits to their subsidiary companies. These subsidiaries often operate in low or no-tax jurisdictions with little or no economic activity. By strategically adjusting the prices for intercompany transactions and utilizing financial structures involving intercompany loans, these companies aim to minimize their overall tax liabilities. They take advantage of preferential tax regimes, contributing to concerns about the erosion of tax bases in higher-tax jurisdictions.

Diminished tax revenue can adversely affect the government's capacity to finance essential public services, infrastructure projects, and social welfare programs in the country where the company benefits. This can create an

imbalance, placing a heavier burden on domestic businesses and citizens to compensate for the lost revenue.

Recognizing the need for global cooperation to combat tax avoidance, 15 action plans under the OECD's BEPS project were developed to equip governments with domestic and international rules and instruments. This ensures that profits are taxed where economic activities generating the profits are performed and where value is created.

- **Tax Challenges Arising from Digitalization:** This action focuses on ensuring that international tax rules adapt to the digital economy by addressing the challenges posed by businesses with significant digital presence.
- **Neutralizing the Effects of Hybrid Mismatch Arrangements:** This action aims to prevent the exploitation of differences in tax treatment between jurisdictions, known as hybrid mismatches, to reduce overall tax liabilities. For example, a convertible loan is treated as equity in some jurisdictions and as debt in others.
- **Controlled Foreign Company (CFC):** This action targets strategies used by multinational companies to shift profits to controlled foreign subsidiaries in low-tax jurisdictions.
- **Limitation on Interest Deductions:** The goal here is to address profit shifting through excessive interest deductions and financial payments within multinational enterprises.
- **Harmful Tax Practices:** It aims to identify and counter harmful tax practices, including preferential regimes that attract profits without substantial economic activity.
- **Prevention of Tax Treaty Abuse:** This action introduces measures to prevent the abuse of tax treaties and curb treaty shopping, where companies exploit treaty loopholes.
- **Permanent Establishment (PE) Status:** The focus is on preventing strategies used by companies to avoid having a taxable presence (permanent establishment) in a country.
- **8-10. Transfer Pricing:** These actions update transfer pricing rules to ensure that profits are aligned with the economic substance of transactions and value creation.
- **BEPS Data Analysis:** This action establishes a framework for measuring the extent of Base Erosion and Profit Shifting (BEPS) and assessing the effectiveness of actions taken to counter it.
- **Mandatory Disclosure Rules:** This action introduces rules requiring the disclosure of aggressive tax planning arrangements to enhance transparency.
- **Country-by-Country Reporting:** This action enhances transparency by introducing new documentation requirements, including Country-by-Country Reporting.
- **Manual Agreement Procedure:** The goal is to enhance the effectiveness of dispute resolution mechanisms between tax authorities, reducing the risk of double taxation.
- **Multilateral Instrument (MLI):** This action introduces a multilateral instrument that enables countries to swiftly modify existing bilateral tax treaties to implement measures to counter BEPS.

Beyond Economics: Integrating ESG Considerations into Taxation Policies

In recent years, there has been a discernible paradigm shift in global tax trends as Environmental, Social, and Governance

(ESG) considerations increasingly take center stage in shaping taxation policies. Governments and tax authorities worldwide acknowledge the profound impact taxation can have on fostering sustainability, social responsibility, and ethical governance practices.

Many countries use a dual strategy, employing incentives and penalties to encourage businesses to comply with legal requirements. The "carrot" approach involves providing green tax incentives as rewards for adopting sustainable practices, including capital grants, tax concessions, and support for renewable energy investments. For example, Germany utilizes tax credits and feed-in tariffs to encourage businesses investing in renewable energy. In the United States, federal and state governments offer tax credits such as the Investment Tax Credit and Production Tax Credit to promote environmentally conscious activities.

Conversely, the "stick" approach imposes penalties for unsustainable practices, such as higher tax rates or punitive levies like carbon and plastic taxes. The European Union's Carbon Border Adjustment Mechanism (CBAM) is set to reshape the business landscape, particularly affecting countries like Pakistan. Under this mechanism, businesses in EU countries will be required to report on imported products deemed "carbon emission intensive." Starting from 2026, the implementation of carbon taxes by the EU creates a cost for importing from higher carbon-emitting countries, directly impacting the demand for Pakistani products.

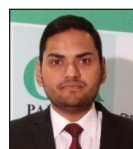
The integration of ESG considerations into taxation policies in Pakistan is currently in its early stages, requiring substantial efforts to effectively address the challenges posed by the European Union's Carbon Border Adjustment Mechanism (CBAM). Another critical aspect where the incorporation of ESG into taxation laws can yield significant benefits is the issue of smog. The alarming increase in smog levels in various Pakistani cities is adversely affecting both the environment and society at large.

To tackle these challenges, tax incentives can be strategically designed to reward businesses adopting eco-friendly technologies, investing in renewable energy, and implementing measures to reduce air pollution. For instance, providing tax credits for companies transitioning to cleaner energy or enforcing stringent emission controls can be a viable strategy.

This approach aligns with the multifaceted issues associated with ESG integration, particularly concerning CBAM and the pressing problem of smog.

Conclusion

Navigating global tax reform and emerging trends signifies a monumental shift in economic governance. The OECD's BEPS project, with 15 action plans, aims for a fair and transparent tax landscape. Integrating ESG considerations



Muhammad Awais, ACA
Executive Manager at Ferozsons Laboratories
Limited



Taxes and Devine Guidance

Mr. Safdar Ali, ACA

Zakat a historical flashback:

The divine book (Quran) tells us the story about Qaroon (the wealthiest of his time) and Mosa (AS) (Moses) which detail states that Qaroon was not ready to give zakat and in order to this cover up he paid a woman to defame the holly prophet of that time. The plot failed and under the authority of Allah, Mosa (AS) makes Qaroon to be buried in the earth alive. In Islamic we see that there were people who refrained from

First Khalifa-e-Rashid states that he will do Jihad against every person who does not submit even a rope along with his zakat (in Kind) which he was submitting at the time of the Holly Prophet Muhammad (SWAWW).

giving Zakat to the state (of Madina) and the First Khalifa-e-Rashid states that he will do Jihad against every person who does not submit even a rope along with his zakat (in Kind) which he was submitting at the time of the Holly Prophet Muhammad (SWAWW). However, the largest heads of income for an Islamic state are maal e ghaneemat and jizya form the conquered infidel state territories. In an Islamic state and as evidenced from the sunnat of the 2nd Khalifa-e-Rashid Hazrat Umar bin Khattab (ra) who rejected the help from Roman emperor for providing free of cost food items to the state of Madina when there were a drought and people were having nothing to eat. From that it is evident that even in severe cases no free aid can be taken from infidels let alone international loans taken on interest that is a clear declaration of war against Allah and His prophet Muhammad (SWAWW).

The current tax system:

The world has seen the death of socialist and communist economic set ups with the disintegration of the USSR. Almost all the global tax trends today practically support the capitalistic economy in which the rich become richer and the poor becomes poorer. Hence, today's tax trends till now are based on principles of oppression and are unjust. On paper the global tax systems claims to support the canon of equity and equality. However, in practice today's tax systems along with inflation has pushed tells a practical story of the other way around. Almost all the tax systems around the world may be claiming to be adhering to the canon of simplicity which is rebutted by tax advisory set ups that are drawing hefty amounts from tax clients. All the laws including global tax laws deviate from the legal proverb of "law is common sense" as evidenced from requiring experts in tax litigation cases. So, it is a vicious cycle that has bounded and made modern slaves from the international community and their citizens especially those further under the dark web of the International Monetary Fund (IMF) and are getting dictations regarding tax targets and tax rates and even beyond to that.

Taxation history of Pakistan:

Till 1979 there was only British Tax Act 1922. The two tax ordinances were promulgated by dictators at their times.

Income Tax Ordinance 2001 was promulgated on principles of the developed world whereas Pakistan itself is underdeveloped. Hence, Pakistani's are paying taxes at the rate of developed countries while earning low per capita income.

Under the current scenario it is the lender (IMF) that dictates the Tax base, tax net, the tax rates and even set targets to be achieved. The dictations received from IMF feels like the Changeez Khan mehsool system from who were crippled before an invasion. As an example, an ex-Prime Minister

(PM) of Pakistan hold 2 X-Rays of kid's brains, one with healthy and another with unhealthy nutrition. Later on, in his own government the said PM imposed a General Sales Tax (GST) @17% on BF series of infant Milk. BF series Milk is required just to keep a kid alive. Hence, all the Pakistani's time wasted the initial speech of the PM was nullified upon implementing such a dictation of IMF. Hence, the sovereignty as described in objective resolution by the founding assembly of Pakistan to be belonging to Allah Almighty on the whole universe has been done away with a very long time ago.

In an Islamic state and as evidenced from the sunnat of the 2nd Khalifa-e-Rashid Hazrat Umar bin Khattab (ra) who rejected the help from Roman emperor for providing free of cost food items to the state of Madina when there were a drought and people were having nothing to eat.

IMF also targets to nullify Pakistan's pension system so as to make it un-welfare state. Hence, people utilizing prime time of their life with government will now get nothing at end of their life time which is expected to make the system of Pakistan more corrupt for such unjust act whenever happens.

Global Taxation: Apparent and Hidden Apparent:

Globally there are two types of taxes. One is direct and the other is indirect. Whether a it is product or a service it has to be taxed in almost all countries around the world. The final consumer pays for all the indirect taxes imposed. Organizations are least concerned with the direct taxes on salaries. It is evidenced from the fact that no pay raise is made if taxes are increased on salaries but product prices do increase if there is either a tax increase or inflationary effect. It is not only the organization; the governments are

also concerned about the direct taxes on corporations and allow for deduction on account of past period losses under the name of boosting industrialization and business in the country. However, no country has ever been concerned about whether a salaried person has ever born expenses beyond his net of tax salary and have incurred losses for which a carry forward or a tax credit should be allowed. From amongst all the four factors of production it is only the labor that is taxed. Labor in the form of executives who have spent half of their lives in acquiring skill set for a job and who have paid government tax inflated fees also get their salaries taxed once employed. The governments around the world profiteer on the skill of people. Lower skill sets supported by governments usually does not falls in the tax net. Hence, the three factors of production (land, capital & organization) are not directly taxed anywhere in the world lest there is a lunatic set up who starts taxing factors. Hence, the world advance tax systems are pro capitalistic in which the dirty game of saving taxes of large corporations are called tax strategies and poor middle salaried class are put on fire to provide finances for states around the globe.

Though the citizens are been taxed some times more than thrice and yet the government fails to provide security to mostly the middle-class citizens. Upper class citizens are expected to have their own guards to provide cover and security to them. A poor man drawing out his taxed cash from an ATM machine may face a gunned criminal taking away his money and all the states failing to provide a fool proof security system to their citizens.

Hidden:

The factors that are hidden cannot be called taxes legally but they do qualify for the main characteristic of tax i.e., something paid unwillingly in order to make things going. The governments around the world have corporatized most of their public services and are pressing hard on the public sector companies to charge for their services and generate their own revenues and move towards self-sustainability and revenue generation. The developed and developing countries around the world have now only the powerful and authoritative set ups left like that of the armed forces and some other functions which are necessary for state and territory control. The rest are been corporatized and the citizens of the state are charged the other way around by the states so as to make the poor poorer.

Other hidden factors which are not market controlled but are made mandatory by wealthier nations so that all the blood of the poorer and underdeveloped countries can be sucked in a white-collar way. In addition to war crimes committed in Abu Ghareb, Guantanamo Bay and in Palestine by the oppressors the stronger and wealthier nations also have an economic hit name in the name of International Monetary Fund (IMF) and others alike. Many countries around the world have been provided with the lollipop of deficit financing by taking loan from IMF. IMF dictations ranges from setting electricity unit rates to setting the number of army man to be

employed by a country. Hence, dictations by IMF is another major criminal factor in world's already capitalistic structure of taxes.

Pakistan's Saving:

Keeping in view struggle of the founders and the people trying to acquire a piece of land which as per founder of Pakistan will prove to be a laboratory where Islam can be put to test and practice. A divine law by default is so perfect that it does not require any testing and it is only human theories and wrong application to a situation of Islamic solution to modern world without understanding of Deen. This is why the door of fatwa has never been closed in Islam so that humanity of today can get a solution that is tailor made to this advance world. Taking an example of Mezan bank Limited which was is the premier Islamic bank and has shown to the world that a bank can do business purely on Islamic principles. Previously, the west, the jews and the slave minded Muslims were of the opinion that Islamic banking is not practicable in today's world. Recently Russia is trying to adopt Islamic banking system. So, the banking sector moving to Islamic modes is because of the hit business of the Halaal idea of Islamic banking. So, the humanity around the world seems to be sick and tired of the interest-based banking which are backed by the cunning Jews and on which the Jews economic warfare stands. And it is this trap in which an ideological country like Pakistan has been trapped. The IMF is and the US is a disguise, the cunning power behind such scheme are the fox-like cunning Jews who are number enemy of Muslims and are on the top in spreading Fasaad (terrorism) on the face of the earth as said in the Devine Book (Quraan).

There will be three important steps that are required to be taken by Pakistan I order to set as an example to the rest of the world that the economy of a nation can be run purely on Islamic basis. If anyone hesitates from an Islamic based solution to Pakistan economic problem as impracticable, he or she should keep in mind national economy of neighbor state of Ammarat e Islamia Afghanistan who despite of being robbed from state funds by their own Ex-President and the United States have good economic pace, controlled and had not a penny to be paid to IMF and others. Pakistan First needs to make Zakat as the foundation of earning revenue. Since, zakat is compulsory ibadah for all Muslims so no Muslim can deny the 2.5% share of Allah in the total wealth of an individual. The revenue earned as a result of introduction of zakat system is expected to generate larger revenues as compared to the current system of IMF dictated tyrant taxation rates and practices. Corporate set ups may try to hide their revenues but no corporate set up will hide their assets because it is their Net Worth that is a sign of goodwill in marketplace. Any Muslim or corporation having more than 52.5 tolas silver as wealth with them will fall under

the zakat regime of revenue collection. It can also be mandated for all Pakistani Muslims to file their zakat return with the Federal Board of Revenue (FBR) and deposit their zakat accordingly. Hence all declared Muslims will fall under the zakat regime. Just to exemplify the quantum of revenue collected a mega housing project having housing schemes all around Pakistan will be taken. The housing scheme will be the owner of lands in which each unit at least costs in millions. The housing societies have usually installment plans and the ownership is not usually transferred till all the installments and development and other charges are paid to the housing scheme. Till that point of time all saleable properties fall under the ambit of zakat system because it is the stock in trade of the housing project. Now, such properties are expected to be more than quadrillion of Pakistani rupees because big housing societies also develops flats houses and shops for sale. All such properties for sale will be treated as stock in trade and liable to payment of zakat. Hence, zakat calculated after proper valuation of all housing projects in Pakistan will be in trillions of Pakistani Rupees per annum. This is just an example. Other sector players can also be exemplified.

Second and important step that Pakistan needs to take will be refraining from non-Islamic and non-constitutional practices of taking loans on terms and conditions that are detrimental to the very existence of Pakistan and has made the lives of all Pakistanis miserable. This bold step will be to take the country out from the vicious cycle of IMF or any other loan in the form of foreign debt. At least an immediate ban on all type of loans drawn from foreign sources by Pakistan should be put on all types of governments. The constitution first has a defect of not taking money bill to the senate before approval. The provincial assemblies already have no senate. A point of emergency of financial situation is valid especially in today's Pakistan. The constitution only allows the Federal Government to pay interest if any arising as a result (of unavoidable circumstances) to an entity to set off an obligation of the state. The constitution mandatorily requires all laws to be in accordance with Quran and Sunnah and refrains the law-making authority (National Assembly and Provincial Assembly) from making of any law that goes against Quran and Sunnah. The constitution sadly under the 18th amendment also authorizes the provincial assemblies of parts forming Pakistan to take loan from any foreign entity on terms as may be approved by the said assembly. National assembly also has the power to take foreign loan on terms as may be approved by the National Assembly. Since, the terms also includes interest element that goes against the constitution of Islamic Republic of Pakistan and include terms that goes against other articles of the constitution by making Pakistan as a state to follow dictations of an alien entity rather than taking decision of

state affairs in the best interest of Pakistan and its citizens keeping in the sovereignty of the state that is been sabotaged by such terms and conditions as exemplified in this article. So, now who will be the hero to bell (stop taking loans) the cat (form IMF and others loans) will be highlighted in golden words in the history of Pakistan and will be a confirm winner of all elections for lifetime like the Tayab Urdegon fo TURKIA.

And a third step can also be taken. That is a golden rule of taking monies along with profits generated from government Annual Development Programs (ADPs) and others as required before which a huge exercise of calculation and proof / reason for the said recovery will be required. This may require not only the formation of an independent authority but also the power of the said authority to call information from others when required and to search and seize past record with force when necessary. However, the security of such an authority will be of prime importance a fair wage rate and facilities to the employees and not using the authority just to gather information in order to black mail others or to bargain on a percentage of a recovery and releasing the culprit. The bare calling of others as thieves and corrupt and as one to have come from heaven serve no purpose at all but is just a political agenda and selling choona to the general public in Pakistan. As evidenced from the Sunnah of Hazrat Omar bin Khattab Razi Allahu Anhu who took away the profit generated by his own son after he takes some interest free loan from a governor from bait ul maal and later on returns the interest free loan. The point ordered by Omar Bin Khattab the Ameer ul Momineen of that time is that since the profit was generated from state money so all the profit belongs to the state. In case of Pakistan since the profits were generated from misuse of authority by the coercing authority the real owners of all such organizations are required to return the profits as it is what is taught by Islam and the Sunnah of Khulafa Ar Rashideen. A leniency which can be awarded in such critical cases is to subtract the taxation factor imposed on revenues and profits of such organizations while making the recovery on the basis that such monies are already deposited in the National Treasury. The above stated steps are going to make Pakistan raise high in terms of progress, prosperity and becoming a true leader of the Islamic world.



Safdar Ali, ACA
Chief Financial Officer in a Public Sector Company.



Global Tax Reform: A Comprehensive Overview

Mr. Adnan Mehmood Khan

Introduction:

In recent years, global tax reform has gained significance, addressing challenges stemming from the increasing globalization and digitalization of economies. The primary goal is to ensure multinational corporations pay their fair share of taxes, regardless of their operational locations. This

issue significantly impacts the distribution of tax revenues among countries, influencing global economic equity.

The profound impact of globalization and digitalization on tax systems has necessitated reform. Traditional tax rules, designed for a physical world, struggle to cope with the digital

“ Digital tax reporting rises for greater transparency and efficiency. Tax rate and rule changes worldwide reflect evolving economic landscapes. Tax transparency increases, driven by public demand and government efforts to combat tax evasion and avoidance. ”

economy's realities. The digital economy, characterized by remote business operations and the importance of intangible assets, challenges traditional concepts of permanent establishment and value creation, leading to potential mismatches and gaps in the tax system.

The OECD/G20 project, known as Base Erosion and Profit Shifting (BEPS) 2.0, is a comprehensive effort to address these challenges. It reflects a global consensus that the current rules need updating to reflect the modern economy's realities. Pillar One proposes new nexus and profit allocation rules, considering factors such as sales, user participation, and marketing intangibles. Pillar Two introduces a global minimum tax, preventing tax competition and ensuring a minimum level of tax, regardless of operational locations.

Implications of Global Tax Reform:

The reform significantly impacts multinational companies, potentially affecting tax liabilities and business models. It changes the way profits are allocated and taxed among countries. Companies need to review and potentially adjust their structures and operations. Compliance poses challenges, requiring organizations to adapt tax planning and reporting practices. The timeline for implementing global minimum tax rules is under discussion, creating uncertainty for businesses.

Global Trends in Tax:

Global trade, transformation, and sustainability influence indirect tax policies. Countries review tax policies for competitiveness and alignment with international standards, considering sustainability and social equity. Digital tax reporting rises for greater transparency and efficiency. Tax rate and rule changes worldwide reflect evolving economic landscapes. Tax transparency increases, driven by public demand and government efforts to combat tax evasion and avoidance.

The Future of Global Tax Reform:

Ongoing efforts refine and implement the BEPS 2.0 project. The OECD and G20 work on technical details, engaging

stakeholders to address concerns. Pillar Two impacts intercompany financing, encouraging companies to review financing structures. Domestic and international reform efforts are crucial for raising revenue for poorer countries, ensuring a fair share of tax revenues.

The Role of Technology in Global Tax Reform:

As the world becomes more digital, technology plays a crucial role. Advanced technologies enhance tax administration and compliance. For multinational corporations, technology assists in managing complexities, data collection, risk assessment, and reporting. For tax authorities, technology improves efficiency, real-time reporting, auditing, risk assessment, and information exchange.

The Role of Stakeholders in Global Tax Reform:

The success of global tax reform depends on active participation and cooperation. Governments shape new tax rules, businesses adapt, civil society advocates for fairness, and international organizations facilitate dialogue and cooperation.

The Challenges and Opportunities of Global Tax Reform:

Global tax reform presents challenges and opportunities. Challenges include the complexity of new rules and the need for international cooperation. Opportunities include increased tax revenue, improved tax fairness, and enhanced economic competitiveness. The reform can contribute to achieving Sustainable Development Goals.

The Way Forward:

Continued dialogue and cooperation among countries, engagement with businesses and stakeholders, careful planning, and preparation for rule implementation are crucial. The success of the reform relies on the commitment of all stakeholders.

Conclusion:

In conclusion, global tax reform is a complex yet crucial initiative addressing challenges posed by increasing globalization and digitalization. The BEPS 2.0 project is a significant step, proposing new rules and introducing a global minimum tax. While presenting challenges, the reform offers opportunities for increased tax revenue and economic competitiveness. Technology and stakeholder cooperation play vital roles. Despite challenges, the reform represents a unique opportunity to reshape the global tax system for the 21st century. The way forward involves continued dialogue, careful planning, and a collective commitment to a fair and sustainable global economy.



Adnan Mehmood Khan
Chartered Accountant and Fellow Member of PIPFA



Interest (Riba or Usury) Destroy Individuals, Families, Societies and Economy of the State

Mr. Syed Imtiaz Abbas Hussain, FCA

The word “interest / Riba / usury” means excess, increase or addition, which correctly interpreted according to Islamic Shariah terminology, implies “any excess compensation

without due consideration”. Usury means the lending of money at unlawfully or exorbitant interest amount or rate of interest.

It is rightly said that the “interest (Riba / usury)” destroys individuals, families, societies and the economy of states. That is why both Christian and Islamic texts have condemned the practice of compound interest (Riba al-nasiah) by creditors, describing it as a sin. Also, in Roman laws, compound interest on loans was illegal, as well as denounced in other ancient cultures. Similar condemnations are found in religious texts from Buddhism, Judaism in addition to Christianity, and Islam. At times, many states from ancient Greece to ancient Rome have outlawed loans with any interest.

Even many non-Muslim countries don't use interest sensing its harmful consequences. For example, Sweden, Switzerland, Denmark, and Japan.

Interest (Riba / usury) banned in many religions and countries. The Christian church drew on biblical passages and moral and religious reasons to define usury as a sin. The Church placed a ban on the practice of usury to prevent this “evil”. In Islam, the following Quran and the teachings of Muhammad (ﷺ) led Muslims to also view Riba / usury as a crime and sin. That is why Riba / usury is prohibited in Muslim countries like Saudi Arabia, UAE, Dubai etc., hence agreements / contracts for the receipt or payment of interest / riba are void and forbidden as they are ultra-varies.

1. QURAN PROHIBITED RIBA / INTEREST

1.1 Quran: Surah Al e Imran – 3 : Verse 130

1.1.1 O you who believe, do not eat up the amounts acquired through Riba (interest / usury), doubled and redoubled (multiplied). Fear Allah, so that you may be successful;

1.2 Quran: Surah Al Baqarah – 2: Verse 275 to 279

1.2.1 Those who take riba (usury / interest) will stand on Judgment Day like those driven to madness / crazy by Shaitan's touch. That is because they say, “Trade is no different than interest”. But Allah has permitted trading and forbidden interest. So, whoever receives advice from his Lord and stops (indulging in riba), he is allowed what has passed, and his matter is up to Allah. And the ones who revert back, those are the people of Fire. They will be there forever. (Verse 275);

1.2.2 Allah destroys riba and nourishes charities, and Allah does not like any sinful disbeliever. (Verse 276);

1.2.3 O you who believe, fear Allah and give up what still remains of riba, if you are believers. (Verse 278);

1.2.4 But if you do not (give it up), then listen to the declaration of war from Allah and His Messenger. However, if you repent, yours is your principal. Neither wrong, nor be wronged. (Verse 279).

1.3 Quran: Surah an Nisa – 4: Verse 161

1.3.1 and for their charging Riba (usury or interest) while they were forbidden from it, and for their devouring (eat (food or prey) hungrily or quickly) of the properties of the people by false means. We have prepared, for the disbelievers among them, a painful punishment.

2. HADITHS AND SUNNAH PROHIBITED RIBA / INTEREST

2.1 The Prophet Muhammad (ﷺ) said: "On the night of Ascension I came upon people whose stomachs were like houses with snakes visible from the outside. I asked Gabriel (ES) who they were. He replied that they were people who had received interest.”;

2.2 The Prophet Muhammad (ﷺ) said: "Riba has seventy segments, the least serious being equivalent to a man committing adultery (zina) with his own mother.”;

2.3 The Prophet Muhammad (ﷺ) said: "God would be justified in not allowing four persons to enter paradise or to taste its blessings: he who drinks wine habitually, he who takes riba / interest, he who usurps an orphan's property without right, and he who is undutiful to his parents.”

HOW ISLAMIC REPUBLIC OF PAKISTAN LOOKS TO RIBA (USURY / INTEREST)

Since decades Pakistan encourages interest (riba / usury) culture in economy due to protecting vested interest of influential people, no matter economy of Pakistan is sinking and extremely backward as compared to other states. Even Government of Pakistan has allowed many institutions and organizations like State Life Insurance Corporation of Pakistan to charge compound interest, which impact used to be 5 to 10 times more than simple interest. Such Shaitani and inhuman act works as adding fuel in fire as a result of trapping in these fraudulent terminologies innocent public become financially destroy and bankrupt.

Pakistan is still struggling, with no good intentions, to eliminate interest (Riba / Usury) because different governments of Pakistan have shown and showing no interest to eliminate Riba / interest from the economy, although Article 38(f) of the Constitution of the Islamic Republic of Pakistan stated that “the state shall eliminate riba / interest as early as possible”. And now the judgment of the Federal Shariat Court on 28 April 2022 also declared that riba was prohibited and has ordered to eliminate Riba / interest up to year 2027.



Syed Imtiaz Abbas Hussain, FCA
The Writer has an experience of 28 years in different capacities as head of finance & accounts, audit partners in CA Firms, business advisory service, and contributes in journals, newspapers and social media.



Understanding Carbon Accounting Through an Example

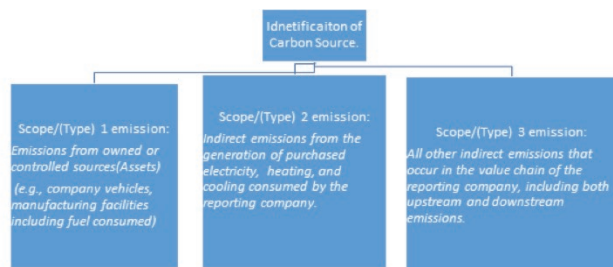
Mr. Muhammad Kashif Zafar

Carbon accounting, also referred to as greenhouse gas (GHG) accounting, involves measuring, analyzing, and recording the amount of carbon dioxide equivalents (CO₂) emitted within a value chain or by an organization, individual, product, or event, whether directly or indirectly. Presently, carbon accounting doesn't follow the Debit and Credit system

of financial accounting, despite experts advocating for its adoption. It primarily revolves around recording carbon emissions driven by the pace of environmental laws being introduced in the Western world. To simplify, this article focuses solely on understanding carbon accounting as record-keeping.

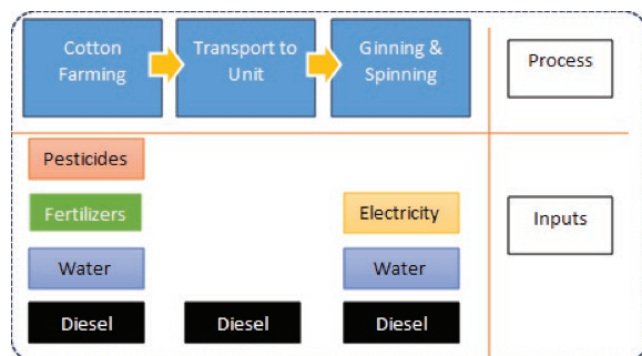
Other Articles

Carbon accounting can be categorized into three types based on the ownership of the source of carbon emissions, as delineated by the Greenhouse Gas Protocol (GHG Protocol). Developed in partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol serves as a foundational guide.



To grasp the intricacies of carbon accounting, let's consider the example of a textile unit processing locally sourced cotton into thread. This example allows us to map the value chain and calculate carbon emissions at each stage, facilitating a comprehensive understanding.

The process, from cultivation to yarn, can be visualized as follows:



Cotton Farming:

Emissions arise from the use of agricultural machinery, fertilizers, and pesticides.

Transportation:

Emissions are generated from vehicles used to transport cotton from the farm to the factory.

Processing:

Emissions result from the energy utilized in converting cotton to thread.

Let's delve into a hypothetical scenario for better comprehension. Here are the assumed figures:

Cotton Farming:

- Total Land Cultivated: 1000 Acres
- Total Production: 10 kg/Acre * 1000 = 10,000 kg

- Inputs: Fertilizers, Pesticides, and Water
- Emissions: 12,000 kg of CO₂

How are these CO₂ emissions calculated?

Engineers and cost accountants perform these calculations using various available tools. For instance, the United Nations offers a free online tool to calculate an individual's carbon footprint, facilitating a better understanding of the process.

In our case, we consider diesel consumption for running a tractor, energy used for crop irrigation, and the carbon footprint of fertilizers and pesticides.

Transportation Unit:

- Assumption: Efficient trucks traveled 100 km (from land to the textile unit)
- Input: Diesel
- Emissions from Transportation: 100 km × 0.65 kg CO₂/km = 65 kg CO₂

Cotton Processing to Thread:

- Input: Energy Consumption: 2 kWh/kg of cotton
- Total Energy for Processing: 10,000 kg × 2 kWh/kg = 20,000 kWh
- Emissions from Energy Use: 20,000 kWh × 0.4 kg CO₂/kWh = 8,000 kg

Total Emissions/Carbon Footprint:

- Farming Emissions: 12,000 kg CO₂
- Transport Emissions: 65 kg CO₂
- Processing Emissions: 8,000 kg CO₂
- Total Carbon Emissions: 20,065 kg CO₂

With the introduction of ESG (environmental, social, and governance) regulations by the European Union and other parts of the world, businesses will soon be required to furnish this information when exporting goods. Expectations include potential additional tariffs based on carbon emissions. Carbon accounting serves as a tool for businesses in their journey toward sustainability and compliance.



Muhammad Kashif Zafar
Finance Manager at PAN Arabian LLC



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