



Presentation to the Chairman SECP

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FOSTERING ECONOMIC GROWTH

(A Company set up under Section 42 of the Companies Ordinance 1984)

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Thrust of PBC's Proposals



PBC's Proposals as in the past aim to stimulate / accelerate economic growth through:

- Significant increase in FBR revenues through a transparent & effective tax regime & machinery.
- Industrial growth, promoting investments in the corporate sector – job creation
- Improving the corporate sector's competitiveness
- Reducing corporate sectors' cost of doing business -regional and global competitiveness
- Creating a level playing field for all stakeholders.

THE '5' MAJOR POINTS:



1. All income irrespective of source needs to be taxed. Major sectors un-taxed or not in tax net (Pg. 38 S#1&3). Reorganization of FBR to make it more effective.
2. Massive and across the board under invoicing / smuggling and mis- declarations in imports & blatant misuse of Afghan Transit Trade. (Pg. 33 S# 3 &4)
3. Clarifications on several issues for which a Joint FBR / PBC Technical Committee is requested.
4. Committee reviewing SROs needs to have PBC representation.
5. Rationalization of corporate & sales tax rates to take into account regional rates.

Increase FBR revenues – transparent & effective tax machinery



- Indiscriminate issuance of SROs distorts the economy & reduces collections (Pg. 32 S#2)
- Massive and across the board under invoicing and mis- declarations in imports & blatant misuse of Afghan Transit Trade. (Pg. 33 S# 3 &4)
- Significant leakages in withholding income & sales tax regimes. Weak audit at FBR (Pg. 34 S#6)
- Massive sales tax refund frauds can be addressed through e-invoicing. (Pg. 36 S#8)
- Increased reliance on technology – e.g. coding for tobacco industry, for checking leakages. (Pg. 37 S#9)
- Greater transparency at import stage through declaration of value of import shipment(Pg. 35 S#7)

Industrial growth, promoting investments in the corporate sector – job creation:



- Unexplained foreign remittances only allowed to be invested in industrial undertakings.(Pg.07 S#6)
- Initial depreciation allowance to be restored to 50%. (Pg. 12 S#13)
- Tax Credit on industrial undertakings to also cover investment in factory building & manufacturing related infrastructure. (Pg. 12).
- Tax credit on investment through new shares to include expansion, extension, BMR (Pgs. 13 & 14)

Improving corporate sector's competitiveness:



- Promote scaling up of the local corporate groups through clarifications / amendments in Holding Company Laws (Pg. 05 & 06)
- Allow adjustment of foreign losses against local income of resident taxpayer. (Pg. 09)
- Reduce rate of minimum tax to 0.5% for Manufacturers(Pg. 7 S#7)
- Remove ambiguity regarding carry forward of minimum tax in case of loss (Pg. 15 S# 17)

Reduce Cost of Doing Business - regional and global competitiveness:



- Continue to reduce Corporate Income Tax to bring in line with other countries in the region. (Pg. 31)
- Reduce Advance Tax to 80% of tax liability finalized for the latest year. (Pg. 08)
- Reduce advance tax on raw materials imported by manufacturers to 1% as this is leading to build up refunds and cash flow problems. (Pg. 11)
- Sales Tax Withholding rules currently apply on transactions between companies registered in the LTUs this is creating refund situations.(Pg. 24 S#3)
- Removal of restrictions of 90% input tax adjustment to reduced rate sector. (Pg. 23 S# 2)
- Exclusion of manufacturers from the ambit of Extra tax. (Pg. 28 S#8)

Level playing field for all stakeholders:



- All income irrespective of source needs to be taxed. Major sectors un-taxed or not in tax net (Pg. 38 S#1&3)
- Low taxpayer base, economy needs to be documented (Pg. 39 lists some options S#4)
- Repeated and permanent Amnesty Schemes are a major disincentive to operate in the formal documented economy (Pg. 40 S# 6)
- Incentivize purchases from registered suppliers. Allow manufacturers a 2.5% tax incentive on purchasing minimum 90% from registered suppliers. (Pg. 34 S#5)
- Reduce tax rate to 20% in order to avoid Brain drain.