



PBC-Budget Proposals 2014-15

Meeting with

Minister of Finance, Revenue, Economic Affairs, Statistics and Privatization

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(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. 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.
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
- Massive and across the board under invoicing and mis-declarations in imports & blatant misuse of Afghan Transit Trade.
- Significant leakages in withholding income & sales tax regimes. Weak audit at FBR.
- Massive sales tax refund frauds can be addressed through e-invoicing.
- Increased reliance on technology – e.g. coding for tobacco industry, for checking leakages.
- Greater transparency at import stage through declaration of value of import shipment.

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



- Unexplained foreign remittances only allowed to be invested in industrial undertakings.
- Initial depreciation allowance to be restored to 50%.
- Tax Credit on industrial undertakings to also cover investment in factory building & manufacturing related infrastructure.
- Tax credit on investment through new shares to include expansion, extension, BMR

Improving corporate sector's competitiveness:



- Promote scaling up of the local corporate groups through clarifications / amendments in Holding Company Laws
- Allow adjustment of foreign losses against local income of resident taxpayer.
- Reduce rate of minimum tax to 0.5% for Manufacturers
- Remove ambiguity regarding carry forward of minimum tax in case of loss

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.
- Reduce Advance Tax to 80% of tax liability finalized for the latest year.
- Reduce advance tax on raw materials imported by manufacturers to 1% as this is leading to build up refunds and cash flow problems.
- Sales Tax Withholding rules currently apply on transactions between companies registered in the LTUs this is creating refund situations.
- Removal of restrictions of 90% input tax adjustment to reduced rate sector.
- Exclusion of manufacturers from the ambit of Extra tax.

Level playing field for all stakeholders:



- All income irrespective of source needs to be taxed. Major sectors un-taxed or not in tax net
- Low taxpayer base, economy needs to be documented
- Repeated and permanent Amnesty Schemes are a major disincentive to operate in the formal documented economy
- Incentivize purchases from registered suppliers. Allow manufacturers a 2.5% tax incentive on purchasing minimum 90% from registered suppliers.
- Reduce tax rate to 20% in order to avoid Brain drain.