

SALIENT FEATURES

INCOME TAX BUDGETARY MEASURES 2013-14

Objectives:

1. To provide relief to approximately 10000 salaried individuals. The rates of tax for salaried individuals are proposed to be revised. The existing six slabs of salaried individuals are proposed to be increased to twelve which shall bring progressivity in taxation.
2. The rates of tax for business individuals are proposed to be revised to support the middle income earners. The existing five slabs for business individuals and AOPs are proposed to be increased to seven slabs which will bring progressivity in the rates of tax.
3. To remove the discrimination against the non corporate sector the facility of carry forward of unadjusted minimum tax is to be extended to Individuals and AOPs which was restricted to the corporate sector.
4. Current reduction in minimum tax is restricted to the distributors of cigarettes in corporate sector. Being discriminatory to small taxpayers of this sector working in the status of AOPs and Individuals, reduced rate of minimum tax is to be extended to the individuals and AOPs.
5. Currently Corporate Income Tax Holiday for a period of 5 years is available to projects in Special Economic Zones. To promote industrialization and investment in the country, the period of holiday is to be extended to 10 years.
6. Currently the goods transport vehicles are subject to withholding tax at the time of payment of provincial motor vehicle tax and this tax is the final tax on their income. The goods transport vehicles are

also subject to withholding tax @ 2% on providing transport services which is the minimum tax. To facilitate the transport sector the withholding tax on payment of provincial vehicle tax is proposed to be made adjustable.

7. To encourage Hybrid vehicles for conservation of fuel withholding tax on import of Hybrid cars with engine capacity upto 1200CC has been exempted to provide incentive and relief. Similarly withholding tax upto 1800CC has been reduced by 50% and 25% for vehicle upto 2500CC.
8. To facilitate the manufacturing sector, facility of exemption certificate on import of raw material is being reintroduced subject to the payment of tax liability determined for any of the preceding two years.
9. To provide relief to the corporate sector, the rate of tax for non banking companies is being reduced from 35% to 34%.
10. To support the corporate sector, tax on dividend received by banks from Money Market Funds and Income Funds to be @ 25% for Tax Year 2014 onwards.
11. The existing three slabs for property income to be increased to six which will bring progressivity in the rates of tax.
12. To promote documentation of economy an adjustable withholding tax is being introduced which shall be collected by the Hotels/Clubs/Marriage Halls/Restaurants etc. from persons arranging functions.
13. To encourage filing of returns and broadening of tax base adjustable WHT to be levied on renewal and license fee of cable operators and other electronic media which shall be collected by Pakistan Electronic Media Regulatory Authority.

14. The transactions of margin financing, trading financing and lending are out of the scope of withholding tax under section 233AA of the Income Tax Ordinance. Now these transactions shall be subject to withholding tax @ 10% of the profit/markup/interest earned. The tax and shall be collected by NCCPL from the margin financiers, trading financiers and lenders.
15. Minimum Tax @ 0.5% of turnover is payable by companies, certain individuals and AOPs in case of declared losses or if the tax payable on the declared income is less than the Minimum Tax. The rate reduced from 1% to 0.5% through Finance Act 2012 to be restored to 1%.
16. The rate of Withholding Tax on cash withdrawals from banks was reduced from 0.3% to 0.2% through Finance Act 2011. The maximum limit of daily withdrawal was enhanced to Rs. 50,000 to Rs. 25,000 through Finance Act 2012. The rate of withholding tax to be restored to 0.3%.
17. To ensure proper taxation of business income/profits of the builders and developers, payment of minimum tax at a rate of Rs.25 per sq ft of the constructed area sold and Rs. 50 per square yard of the area sold of the developed land respectively is being introduced.
18. Contribution of the wholesale and retail sector towards the tax revenue is not commensurate with share of this sector in the GDP. To ensure documentation of the economy and to bring the traders into the tax net all manufacturers were made liable to collect adjustable withholding tax from distributors, dealers and wholesalers through the Finance Act 2012. To remove hardship this withholding tax is being restricted to the Electronics, Sugar, Cement, Fertilizers, Iron & Steel Products, Motorcycles, Pesticides, Cigarettes, Glass, Textile, Beverages, Paints & Foam sectors and the rate is being reduced to 0.1%. The scope of withholding tax is

also being extended to retailers. Withholding tax @ 0.5 % by the distributors, manufacturers or commercial importers from the retailers is proposed.

19. The rates of tax on registration of motor vehicles currently applicable were introduced in 2008. In order to account for the inflation, rates of tax on registration of motor vehicles to be enhanced.
20. Withholding tax for 10 years to be collected in lump sum at the rates specified in the first schedule where the provincial motor vehicle tax is paid in lump sum.
21. Separate rates of withholding tax to be introduced for corporate and non corporate sectors with the objective to encourage corporatization and to enhance revenue and to ensure effective enforcement of fiscal codes.
22. To encourage filing of returns and broadening of tax base. Dealers/Arhatis acting as commission agents for different commodities in the 'mandis'/markets is being introduced. Withholding tax shall be collected by the market committees. The tax rate shall be as follows:-

Group or Class A:	Rs. 10,000
Group or Class B:	Rs. 7,500
Group or Class C:	Rs. 5,000
Any other category:	Rs. 5,000.

1. An adjustable withholding tax on foreign-produced films, TV serials and plays etc to be collected by the authority responsible for their censoring/certification at the rate of Rs. 1 Million for films and Rs. 100,000 per episode for TV plays.
24. The current rate of tax on sale by auction was introduced in 2008 and has remained unchanged. In order to rationalize the rate of

collection of adjustable advance Tax at the time of sale of any property or goods by auction it is proposed to be enhanced from 5% to 10% to encourage filing of returns for claiming adjustment.

25. An adjustable advance tax @ 5% of fee of all educational institutions where annual fee is above Rs.200,000 to be collected by educational institutions at the time of receipt of fee from the person paying the fee.
26. Rate of deduction of withholding tax, which is final tax on payment of prize on prize bond to be enhanced from 10% to 15%.
27. To rationalize the taxation of the companies, the rate of initial depreciation to be reduced from 50% to 25% for Plant and Machinery.
28. The exemption limit of withholding tax for investment in National Saving Centers to be withdrawn
29. Following exemptions provided in the 2nd schedule to the Income Tax Ordinance 2001 are also to be withdrawn for being discriminatory, prone to misuse and causing loss of revenue:-
 - (i) Exemption to dividend in specie;
 - (ii) Free/concessional passage provided by transporters including airlines to its employees by virtue of their Employment;
 - (iii) Taxation at reduced rate of 2.5% on flying allowance and submarine allowance;
 - (iv) 75% reduction in the tax payable by a full time teacher or a researcher being misused by high income earners and administrators;
 - (v) Any income of any university or other educational institution established solely for educational purposes and not for purposes of profit.