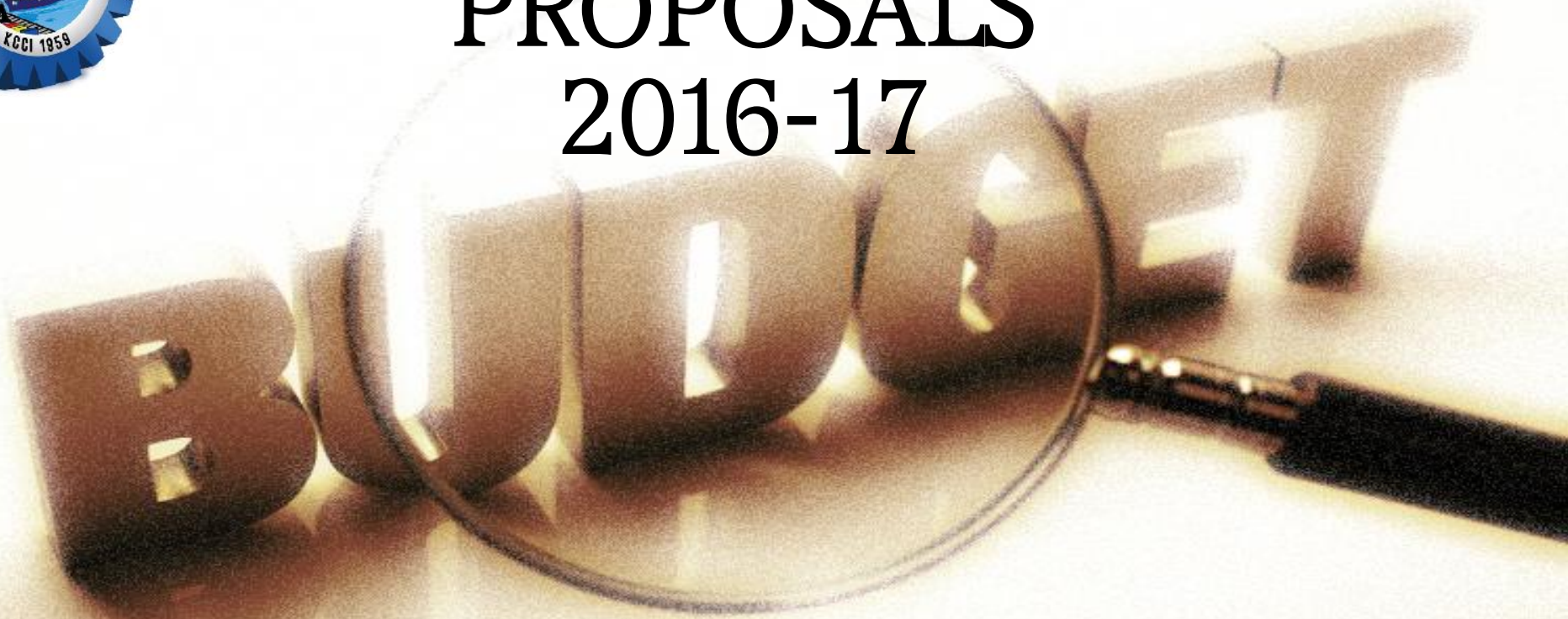




# KCCI SINDH BUDGET PROPOSALS 2016-17



Karachi Chamber of Commerce



# 18<sup>th</sup> Amendment - significance

- More autonomy to the provinces via 18<sup>th</sup> Amendment.
- 17 ministries including education, food, agriculture, and health were transferred to provinces.
- Powers extended to provinces to tax agricultural income, capital gains, and services.
- Decentralization of powers, moving the duty of better governance to provinces and its trickledown effect to the masses.
- Made provinces directly accountable for their spending.



# Sindh Development

- Sindh budget FY16 - total outlay of PKR 739.3Bn and development outlay of PKR 177Bn
- SRB managed to collect PKR 109Bn in FY16.
- Betterment in the weakening infrastructure of the province and its capital.
- Development of industrial zones in Sindh.
- Development of Airport, Railway, Port facilities.
- Allocate funds on equitable basis for revival of sick industrial units.
- Resource management for electricity, gas and water.



# Karachi - infrastructure & civic facilities

- Karachi, the capital city of Sindh, with population of more than 24Mn that accounts for ~13% of the country and ~47% of Sindh.
- Upgrading the infrastructure of 7 Industrial Town Associations of Karachi.
- Solid Waste Management System should be introduced.
- Measures are required to control the traffic mess in Karachi.
- Repair and construction of roads in Karachi needed.
- Sindh Govt. must build more flyovers and underpasses in Karachi.
- Karachi Circular Railway project should be executed.
- Complete K-4 project for water supply in Karachi.
- Excise check-post outside KEPZ needed.



# Rationalize system of tax collection

- Sindh taxes should be in line with taxes in other provinces.
- One window facility for tax payers should be established and tax procedures should be simplified.
- The model of Cantonment Board Clifton for the collection of provincial municipal taxes should be adopted.
- All the provincial revenue collection bodies should be merged together.
- Integrate provincial, inter- provincial & federal taxes to avoid overlapping.
- Powers of SRB should be clearly defined and restricted to avoid misuse and harassment.
- One single form needs to be introduced for provincial taxes with online payment option.



# Tax on Indenters

- Services Sales Tax of 14% has been imposed on indenters in the budget FY15-16.
- The income of indenters of the import business, should not be subject to this additional tax of 14% as SST.
- Imposing SST on the indenting income which represents export of service & where the cost is already built-in the “import cost of the foreign product” is overlapping taxation.
- “Indenting Houses” who earn foreign exchange from foreign supplier / producers are regulated by Federal Laws.
- Indenting commission classified as “Exports” is already taxed under section 154 (2) of the Ordinance where tax is withheld at the time of realization of proceeds on account of commission like any other exports.



# Tax on Indenters

- The tax on indenters cannot be passed on to end consumer.
- The indenting business can be bypassed by trader and get away with the additional cost and tax burden leaving almost no bargaining power with indenters.
- Indenters operate at extremely low profit margins.
- Imposing tax on indenters would make this business unviable
- Such tax burden would lead the indenters go out of business.



# Sales Tax on Services

- The rate of Services Sales Tax should not be more than 10% with input tax credit facility.
- Withdraw 10% SST on Security Services.
- Export of services should also be added as zero rated.
- Abolish ST on rented out immovable properties as it increases cost of doing business, stoke inflation and restrict investment.
- 10% Sales Tax on Services fee of Tour Operators should be withdrawn.
- Sales Tax on commission earned by travel agents on air tickets should be levied as flat rate @ of Rs. 50 per ticket for domestic travel & Rs.100 on international travel.
- All Tour Operators/Travel Agents dealing in religious tourism / pilgrims also be exempted from SST.





# Tax Agriculture at par...

- Leaving huge agricultural wealth untaxed while taxing each and every penny from salaried class & businessmen breeds inequality & injustice.
- Agriculture sector should also be taxed at par with other sectors.
- SRB should also be made responsible to collect taxes on agriculture income.



# Professional Tax & Infrastructure Cess

- Fixed rate of Professional Tax is proposed.
- Rationalize Professional Tax which is charged with wide tax gaps.
- Remove anomalies in Professional Tax.
- Infrastructure cess Anomaly – 1.0% applicable only on Karachi air and sea ports while others are exempted.
- Rate of CESS be reduced to 1% and abolish the one paisa per kilogram rate.
- Clarification needed for KEPZ whether it is exempted from all taxes and duties.



# Other taxes and levies

- Online Facility for the payment of Motor Vehicle Tax (MVT).
- The Octroi tax should not be reinstated under any circumstances as sales tax already includes the Octroi tax.
- Toll manufacturing should be deleted from the list of services.
- SWWF is ultra vires and should either be made inoperative or struck down till the correction of flaws.
- Overlapping taxation system in Cantonment Areas should be abolished.

## **Registration and Renewal of Fitness Certificate**

- Maximum fees on Private Transports be 10% & fees on Public Transports be abolished.

*Thank You*

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