Budget 2019-20

A STRANGLEHOLD On The Economy

Karachi Chamber Of Commerce & Industry

Research & Development Department

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Budget 2019-20 – A Stranglehold on the Economy

Budget FY19-20 has been, as expected, an IMF budget. It has been developed on a documentation and revenue generation theme, with total disregard to how it would affect the common man, and how it would wreak havoc with the industries and businesses across the country and across different sectors.

In the first 8 months of its rule, the govt. had been making intent discussions with all industry stakeholders for making improvements in ease of doing business, removing tax anomalies affecting businesses, and giving an attentive ear to what businesses had to say with respect to enhancing exports of the country. Now it appears that all good work done earlier had been put on the back burner and the only thing of importance is what IMF had to say. On the same lines, while the govt. announced in its manifesto to provide employment opportunities to 10Mn people, the budget appears to actually aim at creating massive unemployment.

The govt. has presented its first annual budget with total outlay of PKR 7,022Bn, which contains unrealistic, far-fetched targets. Burdened with a tax revenue target of PKR 5.55Tn, the budget is set to unleash inflation, incessantly increase cost of doing business and stifle all forms of economic growth. While it has sought to tax every sector of the economy on the one hand, it has withdrawn all exemptions necessary for maintaining industrial competiveness and control inflation. Target GDP growth rate for FY20 has been set at 2.4% which is too low to yield the 36% jump in taxes required to meet the collection target.

One can appreciate that the budget has been made in testing times, and that interest payments (on debt incurred by previous govts) would eat up PKR 2.9Tn or 35% of the total outlay, and that the govt. has to jack up its revenues to meet its repayments. It is also understandable that the govt. wants to restrict twin (budget and current account) deficits and curtail expenditures but it should bear in mind that the country can only progress if its industries and commerce flourish. Killing the goose that lays the golden egg would not help the govt. in any manner, yet it has done the same.

Unrealistic Revenue Targets in Budget 2019-20

- The outlay of the federal budget FY20 is proposed to be PKR 7,022Bn, which is 30% higher than the revised outlay of PKR 5,385Bn for FY19.
- Gross revenue target is set at PKR 6,716Bn (33.5% higher than FY19 estimated target). Of this provincial share will be PKR 3,254Bn (32.2% higher than FY19 estimated disbursement to provinces), leaving PKR 3,462Bn for Federal govt.
- The budget relies heavily on both direct and indirect taxes to achieve an ambitious FBR tax collection target of PKR 5,555Bn, 37% higher than FY19 estimated collection of PKR 4Tn.
- Total tax based revenue target is set at PKR 5,822Bn which implies an aggressive growth of 33% over FY19 estimated numbers.
- Non tax revenue is projected at PKR 894Bn (40% high as compared to FY19E)
- Indirect taxes are targeted to increase by 39.5% (vs FY19E) to PKR 3,473Bn
- Direct taxes are targeted to increase by 25.5% (vs FY19E) to PKR 2,082Bn
- Target collection for customs duties, sales tax and FED are set at PKR 1,000Bn, PKR 2,107Bn and PKR 365Bn respectively.

A Snapshot of Taxation Measures in Budget 2019-20

Income Tax			
Sectors	Proposed Budgetary Measures	Existing Rate	Proposed in Budget
Salaried Class	Tax exemption threshold on salaried class has been reduced to 0.6Mn from PKR 1.2Mn	Minimum Slab: 1.2Mn Taxes range in 7 slabs	Minimum slab: PKR 0.6Mn
Individuals and AoPs	Tax exemption threshold on non-salaried individuals and AoPs has been reduced to 0.4Mn from PKR 1.2Mn	Minimum Slab: 1.2Mn Taxes range in 8 slabs	Minimum slab: PKR 0.4Mn

The reduction of exemption of tax from PKR 1.2Mn to PKR 0.6Mn for salaried individuals and PKR 0.4Mn for unsalaried individuals is unjustified as the level of exemption was raised keeping in view the erosion of purchasing power of the low paid income categories due to high inflation in the previous years. At that time the rate of USD was hovering at around 120 Pak Rupees. Currently, the currency has depreciated to ~ PKR 160 per USD and inflation is ranging between 7-9% which will greatly erode the purchasing power of the masses.

Gifts	Gift to be treated as income under the head "income from other sources"	Gifts were exempt from tax	Any amount in cash or property including immovable property would be treated as gift and would be taxed

In case of family owned businesses, it is a normal practice to transfer properties by way of gift. Therefore, it requested to allow more close relations like "sister-in-law" and "daughter-in-law" under the exemptions of tax in case of transfers in the form of gifts.

Minimum Turnover Tax	Minimum tax is being enhanced	0.2% 0.25% 0.5% 1.25%	0.25% 0.3% 0.75% 1.5%

In the past budget, KCCI had appealed to reduce the minimum turnover tax to 1.0%, however, it was kept at 1.25%. In the recent Finance Bill, the maximum tax is proposed to be increased further to 1.5% which is way too high. Turnover tax is charged on loss-making firms and increasing the burden on loss-making firms is totally unjustified. KCCI demands to lower the rate of minimum turnover tax to 1%.

Tax Credit for investing in BMR	Allowed to those companies which purchase and install plant & machinery	10%	5%

KCCI strongly objects on the reduction and subsequent withdrawal of tax credit on BMRs. The country direly needs foreign investments for industrialization, to attract transfer of technologies, create exportable surplus and generate employment opportunities. This measure would discourage investments into the country. We believe 10% tax credit is appropriate as we need more plant and machinery through BMRs for improving productivity and quality standards.

ATL	Late filers would now be included in the Active Tax Payers List, after paying penalty	Late filers not included in list	Penalty rates as follows: Company: PKR 20K, AoP: PKR 10K, Non-salaried Ind: PKR 3K, Salaried individuals PKR 1K

Late Filers would now be included in the Active Taxpayers List (ATL) after newly added penalties. We insist on simplification of laws and creation of conducive business environment. The rules should encourage more people to come under the tax net while such additional penalties will not send positive signals to the persons who have been filing returns.

Special provisions for persons not appearing on Active Taxpayer's List:	The concept and the term of "non-filer" is being abolished from the statute. A separate Schedule is being introduced to specifically provide a legal framework for punitive measures for persons not appearing on ATL and to ensure filing of return by such persons.	Different tax rates for filers and non-filers	100% increased rate of tax
Income from Property	Income from property earned by individuals and association of persons	5 slabs of with the highest slab's rate being PKR 200,000/- plus 20% of income exceeding PKR 2Mn	Slab is being enhanced from PKR 2Mn to 4Mn and thereafter three additional brackets of income between PKR 4-6Mn, 6-8Mn and exceeding 8Mn are being added
Tax on Services	Concessionary regime for services like freight forwarders, air cargo, courier, manpower outsourcing, hotels, security guards, IT services, advertisement, share registrar services, engineering services, car rentals, and building maintenance services are to be withdrawn	2% of Turnover	4% of Turnover

Taxes on Services should be restored back to 2% of turnover.

Transport Services	Tax on transport services	2%	4%

Capital Gains Tax on Immovable Property	Holding Periods: Less than 1 year 1-2 years 2-3 years More than 3 years	 10% 7.5% 5% 0%	**Open Plots** Full gain to be taxed at normal rates 75% gain to be taxed if held for 1-10 years 0% if held for more than 10 years **Constructed Property** Full gain to be taxed at normal rates 75% gain to be taxed if held for 1-5 years 0% if held for more than 5 years

The exemption on Capital Gains Tax on Immovable Property has been increased existing 3 years to 10 years while the rate has also been increased on gains at normal rates if held for less than a year and 75% gains to be taxed if the property sold before 10 years. In this regard, we want to highlight that it is a normal practice to keep real estate property as a contingency measure to offload in rainy days while a span of 10 years is a very long duration. Furthermore, the capital gains mostly arise due to inflation in the country. Therefore, this limit of 10 years is harsh and enhancement of tax in this regard is unwelcomed. Government should continue previous gain tax structure and hence, proposed Capital Gain Tax Structure through Finance Bill 2019-20 should be withdrawn.

Final Tax Regime	Advance tax on imports of goods to be treated as minimum tax instead of final tax, as first step of phasing out the FTR regime.	Varying rates of tax paid as final tax.	Varying rates of tax to be paid as minimum tax.

The Final Tax Regime is being phased out and term of Non-Filer is also being removed from the statute. This means that all registered businesses will be liable to pay taxes on the basis of their actual incomes under normal tax regimes. Therefore, there is no point in continuing with the minimum tax regime which is akin to parallel tax systems. There should be a single tax system. The concept of minimum tax should also be removed/ abolished. It will further streamline the tax system, reduce the unnecessary tax complexities and the need of refund claims.

Real Estate Sector	FBR rates of immovable properties would be taken closer to or about 85% of actual market value.		
	3% tax for not explaining the source of investment is being withdrawn.	*3%*	*0%*
	Rate of withholding tax on purchase of immovable property.	2%	1%

	Threshold of WHT applicability	PKR 4Mn	Abolished
	WHT Exemption	If held above 3 years	If held above 5 years
	Registration by non-filer	Not allowed above PKR 5Mn value	Allowed

It is also proposed that the property valuation should be done on the old FBR values until and unless FBR and the provincial govts. are on the same page with respect to property valuation. When the federal and provincial govts. do come on the same page, it is proposed that cumulative taxation (federal and provincial) should not exceed 2%. It is further proposed to continue sections 111(4)(c) and 236W so as to save the real estate / construction sectors from total collapse.

Dividend Income	Tax on Dividend Income from shares, mutual funds, REIT	7.5-25%	15%
Profit on Debt	Upto PKR 5Mn PKR 5-25Mn PKR 25Mn – 36Mn Above PKR 36Mn	10% 12.5% 15% 15%	15% 17.5% 20% Taxed at normal rates
Foreign Remittance	Threshold for which source would not be asked	PKR 10Mn	PKR 5Mn

The threshold for foreign remittances has been proposed to be reduced to PKR 5Mn from existing PKR 10Mn. Since, the country direly needs higher foreign remittances to improve foreign exchange reserves, stabilize its balance of payments situation and rein in the local currency devaluation, we strongly recommend to increase the threshold to PKR 20Mn instead of reducing it.

Corporate	Tax rate remains unchanged against policy of 1% reduction every year.	29%	29%
Refunds	Promissory notes would be issued to by a newly formed company called the FBR Refund Settlement Company Limited. Bonds to have a maturity period of three years.		

There are already PKR 51 billion of refunds of exporters pending with the govt. The government should expedite the refunds disbursements to clear the backlog to improve the confidence of the business community.

Employing fresh graduates	Tax credit equal to the amount of annual salary paid to such graduates would be given to the employers

Sales Tax

Sectors	Proposed Budgetary Measures	Existing Duty	Proposed in Budget
5-Zero Rated Sectors	The govt. has decided to impose a standard rate of 17% sales tax on the five export-oriented sectors – textile, leather, carpets, surgical and sports goods, thereby rescinding SRO 1125. Local sales will now be subject to 17% sales tax however, export sales will remain exempted.	0%	17%

This proposal would create further problems of refund claims and would block the liquidity of the exporters. Exporters will have to depend more on commercial loans and running finances to meet their liquidity requirements which would carry a much higher markup, resultantly increasing the cost of doing business and making the export oriented sector uncompetitive. This step would be counterproductive for export growth. However, if there are any problems with regards to the commercial importers these can be addressed with mutual understanding by revisiting the SRO 1125.
Hence, KCCI and other trade bodies appeal to continue zero rating in the larger interest of the nation and economic growth. If there are issues with SRO 1125 then those should be settled on the table with the stakeholders.

Sugar	Sales tax rate on sugar from 8 to 17%.	8%	17%

The enhancement of ST on basic consumer items like sugar, edible oil, and milk will adversely affect the common man whose purchasing power will be eroded with these measures. This is also the basic raw material of food, bakery and confectionary business which also contributes in value added exports. This measure will increase the cost of production making the food industry uncompetitive while it will also fuel inflation. The rate of tax on sugar should not be increased.

Edible Oil	Tax rate on the local supplies of edible oil to increase from PKR 1/ Kg to standard GST of 17%.	FED: PKR 1/Kg	17%

The change of tax on Edible Oil from PKR 1/kg FED to 17% Sales Tax of Maximum Retail Price (MRP) has created an anomaly. It now bounds the company to pay tax at MRP which is not practical to apply due to rapid fluctuation in PKR/USD parity and import prices as well as variance in retail prices carried by different outlets. The prices are higher for high-end supermarkets and malls while the low end outlets charge less. In case of Edible Oil, the existing formula of PKR 1/Kg FED is more workable and suitable. KCCI, therefore, demands to keep the same formula intact.

Steel	Special sales tax procedures for the steel sector will be done away with. Standard sales tax rate to apply.	PKR 13/unit of electricity	FED 17%
CNG	Region 1 Region 2	64.8/Kg 57.69/Kg	74.04/Kg 69.57/kg

Since, CNG sector has been deregulated, Oil and Gas Regulatory Authority (OGRA) has no role in price determination of CNG. Therefore, the changes in duties in terms of paisa and rupees are not justified. The sector also has reservations for not being treated at par with regard to sales tax as oil and spare parts are being charged at prescribed prices (without input adjustments). Hence, either the sector should be allowed input adjustment or the recent increase in duty should be reverted.

Cream and Milk	Streamlining of sales tax regime applicable on dairy products bringing tea whitening powder, concentrated milk in-line with UHT milk at 10%.	Varying Rates	10% across
Jewelry	• Gold and Silver • Making Charges	0%	1% 3%
Marble	To be brought into normal sales tax regime	PKR. 1.25 per unit of electricity	17%

Marble industry was previously under Fixed Tax Regime wide SRO.488 which includes special procedure for marble industries. However, the govt. intends to abolish SRO.488 and to put marble industry under normal GST regime which is a hurdle to this industry. Total GST on marble industry is about 23% for registered and 29% for un-registered, which industry used to pay through deduction in electricity bills. In spite of high taxation, industry was happy as this sector is all SMEs and it is impossible to maintain record without any registered inputs as sources are from most remote areas of Tribal areas, KPK and Baluchistan. After removing this sector from FTR and allowing audit to be conducted every year, it would create huge problems for this sector. Hence, the previous tax structure should be restored.

Food	7.5% GST on Restaurants / bakery	17%	7.5%
Petroleum Products	Withdrawal of 3% Value Addition Tax on Petroleum Products	3%	0%

Mobile Phones	Withdrawal of 3% Value Addition Tax on Mobile Phones	3%	0%
Concentrated Milk (powder)	Reduction of rate of sales tax	uneven	10%
Cotton	SRO 1125, Ginned cotton will be taxed, previously exempt	0%	10%
Articles of textile and leather	Local supplies of finished articles of textile and leather	6%	15%

Customs Duty (Selected Items)		
Proposed Budgetary Measures	Existing Duty	Proposed in Budget
Exemption would be given to 1600 tariff Lines	Varying rates	To be implemented Phase wise
Writing & Printing Papers (4802.5510)(.5600)(rolls .6100)	20%	16%
Raw- materials of Paper Industry	Varies	Exempted
18 medicinal inputs/items	3%	Exempted
Medicines for certain rare diseases.	11%	Exempted
More than 1650 raw materials/industrial inputs	Vary	Exempted
Fiberboard of wood of certain specifications (44.11)	16%	11%
Nonwoven fabrics (various under 56.03)	16%-35%	11%-20%
Elastomeric Yarn	3%	Exempted
Aluminum Beverage Cans & Inputs thereof	20%	11%
Home Appliance Sector	Varies	Varies
Chemicals used in leather or like industries	20/16	16/11
Withdrawal of exemption on import of LNG	Exempted	5%

Regulatory Duty		
Reduction of RD on Mobile Phones	PKR 250/set	Reduction Proposed
Reduction of RD on smuggling prone items and other industrial inputs	Varies with heading	Reduction Proposed
Reduction of RD on Tyres	Extra tax 2%	Reduction Proposed
Additional Customs Duty		
Enhanced customs duty on goods subject to 16% tariff slabs (500 items)	2%	4%
Enhanced CD on goods subjected to 20% and above (2,400 lines) tariff slabs.	2%	7%
Increase in Additional CD for non-essential items	Varies	Increase Proposed

Federal Excise Duty		
Sectors	Existing Duty	Proposed in Budget
Cement	1.5/Kg	2/Kg

Cement is an essential input of Construction and Building industry and is used by all categories of population. This will increase the cost of construction and is also going to impact the government's plan to construct low cost housing for poor segments of population. It is proposed to maintain the current rate of FED on cement.

Cigarettes	0%	Cigarette from PKR 4300/1000 to PKR 5200/1000 sticks
Fruit Juices	0%	5% on retail price

Juices and squashes is a basic consumer item widely consumed by masses particularly children which should be kept exempted from FED as it is supports agro based sectors and SMEs. Hence, FED should not be imposed on juices and squashes.

Aerated Water/Beverages	11.5%	13% (Erroneously typed as 14% in the Finance Bill 2019)

Soft drinks and aerated beverages are a consumer item which is widely consumed by masses including the low income segment of population. The beverage industry contributes more than PKR 100 Billion in sales tax and FED to the national exchequer. Such high increase in FED will result in price increase of all beverages, which will directly affect their sales as its price is quite elastic. Resultantly, the tax collection will decline nullifying the objective of additional tax collection. Rate of FED on aerated beverages should be maintained at 11.5% to provide relief to common man and also to enhance sales and revenue collection.

LNG Import	*PKR 17.18 per 100 cu.m*	*PKR 10/MMBTU*
Autos	*10% above 1700cc*	*1000cc 2.50%* *2000cc 5%* *>2000cc 7.50%*

Anomalies in Federal Budget 2019-20

Addition of Section 108AB of Income Tax Ordinance	
Budget Proposal	Under Section 108AB of Income Tax Ordinance, a person supplying products listed in 3rd Schedule to the Sales Tax Act 1990 under a dealership arrangement with the unregistered dealers who are not appearing in the active taxpayers' list, an amount equal to 75% of the dealer's margin shall be added to the income of the person making such supplies. Moreover, it has also been notified that 10% of the sale price of the manufacturer shall be treated as dealers' margin.

This clause will create difficulties for businesses who would have to do the job of the tax authorities, bear costs of additional book keeping and then subsequently face harassment by tax officials. The business and industrial community is already acting as withholding agents and collectors while on the other, it seems that the policy makers want them to become enforcers of tax provisions as well although it is purely the job of FBR.

KCCI strongly demands to withdraw this unjust and impractical clause.

KCCI strongly reiterates its demand that legislations should not be made through the Finance Bill 2019 rather every proposed legislation should be first debated in the parliament to assess its impact on the economy and business environment. If it seems to be beneficial and does not adversely impact any segment of the economy, it should be made part of the law.

Addition of 10th Schedule in Income Tax Ordinance	
Budget Proposal	The concept and the term of "non-filer" is being abolished from the statute. Instead a separate Schedule is being introduced to specifically provide a legal framework for punitive measures for persons not appearing on ATL and to ensure filing of return by such persons. The main attributes of this scheme are as under:- ➢ Persons whose names are not appearing on the ATL will be subjected to 100% increased rate of tax. ➢ The withholding agents will clearly specify the names, CNIC or any other identification of such persons in the withholding statement so that legal provisions to enforce return can come into effect. ➢ Where a withholding agent is of the opinion that 100% increased tax is not required to be collected on the basis that the person was not required to file return, the withholding agent shall furnish an intimation to the Commissioner setting out the basis on which the person is not required to file return. The Commissioner shall accept or reject the contention on the basis of existing law. In case the Commissioner fails to respond within thirty days, permission shall be deemed to be granted to not deduct tax at hundred percent increased rate. ➢ Prosecution proceedings can be initiated where a person commits default in furnishing of information of a person from whom tax is collected or deducted.

This has placed additional responsibility on the withholding agent who is already needlessly burdened with the task. Even 9 years back the requirement of CNIC was initiated but it was later taken back as it failed badly. CNIC obligation should be revoked as the businessmen cannot accept the responsibility of verifying the genuineness of CNICs and other information provided by the unregistered persons.

Disallowing Sales Tax Invoices not having CNIC Details – Section 8(M) and 23(B)

Budget Proposal	The FBR has proposed disallowing sales tax invoices which do not have Computerized National Identity Cards (CNIC) details through Finance Bill 2019-20. ➢ This means 17% loss which is impossible to bear for distributors operating on extremely thin net margin which further squeezing due to current inflation. ➢ Number of customers served by an average distributors vary from 100,000 to 300,000+ depending upon the type and category of the consumer product a distributor is handling. ➢ To cater above mentioned number of customers distributors require as many as thousand plus salesmen again depending upon type of product. ➢ There is rapid turnover of salesmen who handle invoicing and also quality and competency of salesmen is generally very low. Due to these factors collecting reliable data is a time taking and a difficult project.

It will not be possible to verify if CNIC number given by many of these hundreds of thousands shops are of real owner of the shops. Importers are demanding to allow them a relaxation of 3 months to enable them to sell their inventory at hand and then they will either discontinue their imports or only sell to the registered persons. They are of the view that it is not their job to compile the information of unregistered persons.

CNIC obligation should be revoked as the businessmen cannot accept the responsibility of verifying the genuineness of CNICs and other information provided by the unregistered persons.

Levy and collection of tax on specified goods on value addition u/s 7A

Budget Proposal	A separate 12th Schedule is proposed to be included in ST Act, 1990 and only those manufacturer that would import Raw materials and intermediary goods for industrial process which are subject to customs duty at 16% or 20% ad valorem are excluded.

Manufacturer importing goods which are subject to Custom duty other than 16% or 20% would be required to pay 3% VAT. This has again increased cost on import of industrial raw materials on which duty was lower, thereby reducing the difference of duty. This anomaly should be removed and structure should be reverted to previous position.

Expenses that are not allowed to be deducted from taxable income u/s 21

Budget Proposal	A new clause (ca) in Section 21 is to be added to disallow the commission paid on 3rd Schedule products over 0.2% of gross value of supplies if the recipient of such commission is not registered in Sales Tax and not appear on Active Taxpayers List for Income tax purpose.

The insertion of such provision has been made without any consideration to ground reality. The dealers and commission agents number in hundreds of thousands and not many are registered. The law will, therefore, shift the burden of tax on producer/supplier otherwise applicable to unregistered dealers. Such attempts in the past to put the burden of broadening the tax-base on registered tax payers have failed and instead it will stifle the economic activity.

This would not allow businesses to deduct paid expenses from their income, thereby increasing their tax liability. Again FBR is penalizing registered businesses for non-registration of commission agents.

It is the responsibility of FBR to broaden the tax base and identify unregistered taxable entities and not of the compliant tax-payer entities. This proposal should therefore be omitted as the existing taxpayer are not in position to bear additional burden of taxes.

Withdrawal of immunity from Audit after three years u/s 25 (2) of ST and u/s 177 and 214C of ITO	
Budget Proposal	The Bill seeks to withdraw immunity provided from selection of tax audit in case of person who's *income tax* affairs has already been audited in any of the preceding three tax years. Through Finance Act, 2018, it was introduced that a taxpayer shall not be selected by the FBR and the Commissioner Inland Revenue (CIR) in terms of sections 177 and 214C of the Income Tax Ordinance, 2001 for a tax audit where its income tax affairs were already audited in any of the preceding three tax years. The power of Commissioner to conduct sales tax audit was restricted to only once in every three years in the year 2018. This restriction is proposed to be withdrawn.

The discretionary powers should be reduced as the registered taxpayer are being harassed. They are receiving FBR notices on different subjects which seek different audit related information. Repetition of tax audits was withdrawn after hectic efforts of the Chamber and hence should not be reinstated.

Confidentiality of Audit Parameters u/s 72B	
Budget Proposal	The parameters for audit selection by the Board to be kept confidential.

Keeping the parameters for audit selection confidential is against the spirit of tax transparency and hence should not be implemented. The audit should be done on parametric basis whose parameters should be agreed beforehand and must be shared with the business and industrial community to enable them to comply.

Power to enter and search premises u/s 175 (6A)

Budget Proposal	Based on reliable information, the Commissioner may raid any premises and confiscate undeclared gold, bearer security or foreign currency.

This is against the dignity granted to an individual as per the Article 14 of the Constitution and would tantamount to violation of sanctity of residential premises, if raided. Raiding of homes and subsequent breach of privacy is against national cultural norms and is an idea uncalled for, having grave social repercussions.

This proposal is also against the spirit of withdrawal of discretionary powers of the taxman. The Asset Declaration Scheme 2019 also does not allow declaration of gold, precious stones, bearer security and bearer prize bonds, thereby restricting a holder of such assets from declaring them before probable confiscation. Any such measure before allowance of declaration makes this a very harsh measure.

Such sweeping discretionary powers granted to the Commissioner would result in harassment to ordinary citizens including housewives and the elderly, as now raids could be made on homes as well, and by no means should be allowed to be confiscated. Hence, this proposal should be removed from the budget. Further, the Asset Declaration Scheme 2019 should be amended to include declaration of gold and bearer securities.

Penalties on late filing of goods declaration u/s 47A

Budget Proposal	Penalties have been increased for late filing of Goods Declaration, which will be charged after ten days at the rate of PKR 5,000 per day for initial five days and PKR10,000 per day for each day of default thereafter.

This is exorbitant rate of penalties, while also the port authorities and shipping companies charge demurrage and detention charges at will and arbitrarily. All charges by shipping lines and their agents are unregulated and have increased cost of doing business in Pakistan much higher than other countries.

New provision related to late filing should be amended to allow at least twenty days before any penalty is imposed. New legislation should be enacted to regulate port charges by shipping lines and agents, which has made Karachi Port and Port Qasim a hub of corruption.

Shift of powers from federal government (cabinet) to the FBR (with approval of minister-in-charge).

Budget Proposal	Major powers have been transferred from Federal Government (Cabinet) to the FBR (with approval of Minister-in-charge)

This practically places the policy making again in the hands of Board and one minister who may or may not be equipped to deal with major financial decisions. It is against the spirit of constitution and privilege of elected representatives to legislate. This practice in past had serious economic consequences. The specified provisions of Finance Bill should be removed to restore the authority of Federal Government (Cabinet) to ensure transparency and national interest.

Sales Tax Withholding: Sections 3(7) and Eleventh Schedule

Budget Proposal	The Finance Bill seeks to substitute Section 3(7) with the new Eleventh Schedule to the ST Act. The Proposed rates of sales tax withholding are identical with the rates as provided in the Withholding Rules except for withholding tax rate on supplies made by an unregistered person which has been enhanced from 1% to 5% of gross value of supplies.

In this regard, the importers are demanding to allow them a relaxation of 3 months to enable them to sell their inventory at hand and then they will either discontinue their imports or only sell to the registered persons. They are of the view that it is not their job to compile the information of unregistered persons.

Projects for Karachi in Federal Budget 2019-20

- PKR 2Bn has been earmarked for Green line Bus Rapid Transit System (BRTS).
- PKR 1.11Bn for reconstruction of Nishtar Road and Mangho Pir Road.
- PKR 1Bn for reconstruction of Mangho Pir Road from Jam Chakro to Banaras.
- PKR 800Mn has been earmarked for Greater Karachi Water Supply Scheme.
- PKR 893Mn for Construction of Fly Overs at Sakhi Hassan, Five Star and KDA Roundabout along Sher Shah Suri Road.
- PKR 855Mn for Rehabilitation and Upgradation of Existing Fire Fighting System of KMC.
- PKR 500Mn for construction of Flyover on Jinnah Avenue M-9.
- PKR 500Mn for the establishment of Combined Effluent Treatment Plant (CETP) for Industrial area of Karachi.
- PKR 200Mn for Construction of Road from Dumlotte Wells Upto Link Road
- PKR 50Mn for construction of Road over Malir Bund from Dada Bhoy Town

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*** Analysts:** *Uzma Taslim - Director, Shehzad Mubashsher – Deputy Director, Asad Bilal Sheikh – Research Analyst, Yasir Nawaz Farooqui– Research Analyst, Kamran Khan – Research Analyst, and Sunny Kumar– Research Database Officer.*

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Address:

Aiwan-e-Tijarat Road,
Off: Shahrah-e-Liaquat,
Karachi-74000
Phone: 92-21-99218001-09 Ext.:136
Fax: 92-21-99218040
E-mail: res@kcci.com.pk
Website: www.kcci.com.pk