

Medium-sized businesses: Simplified tax regime to be unveiled in budget

ISLAMABAD: In a major move to encourage investment in medium-sized businesses, the government has decided to introduce a simple documentation and tax payment procedure for these businesses and enterprises in coming budget (2019-20).

Sources told Business Recorder Saturday that the Federal Board of Revenue (FBR) has proposed a separate procedure under the Income Tax Ordinance 2001 for introducing a simplified tax regime for the medium-sized businesses and enterprises. "We cannot introduce a separate Income Tax Ordinance for medium size businesses, but a separate schedule can be specified in the Ordinance 2001," sources said.

Through Finance Bill 2019, the government is planning to facilitate tax payment procedure for the medium size businesses and enterprises in Pakistan.

According to the sources, the government has taken the policy decision for issuance of the simplified tax procedure in coming budget for the medium size businesses.

"It would not be appropriate for the medium size businesses and enterprises to follow the entire compendium of Income Tax Ordinance. There should be a separate chapter for them," sources explained.

A tax expert said that the medium-sized businesses have not been defined under the Income Tax Ordinance 2001, but the small company has been defined.

Moreover, under Third Schedule of the Companies Act, the Securities and Exchange Commission of Pakistan (SECP) has given classification of companies. The Medium Sized Company (MSC) has been defined in the Companies Act. The sub-categories of MSC included a non-listed public company with paid-up capital less than Rs200 million; turnover less than Rs1 billion and employees more than 250 but less than 750.

The Medium Sized Company (MSC) also included private company with paid-up capital of greater than Rs. 10 million but not exceeding Rs. 200 million;(ii)turnover greater than Rs. 100million but not exceeding Rs. 1 billion;(iii)Employees more than 250 but less than 750.

The Medium Sized Company (MSC) has also included a foreign company which have turnover less than Rs. 1 billion and non-listed Company licenced/formed under Section 42 or Section 45 of the Companies Act Which has annual gross revenue (grants/income/subsidies/donations) including other income or revenue less than Rs.200 million.

Under SECP laws, the classification of a company shall be based on the previous year's audited financial statements. The classification of a company can be changed where it does not fall under the previous criteria for two consecutive years. The number of employees means the average number of persons employed by a company in that financial year calculated on monthly basis.