DAWN

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Finance bill ushers in sweeping 'incentives' for banks, industry and greenfield investors

ISLAMABAD: The PTI government in its second Finance Supplementary Bill, 2019 has agreed to introduce 10 major amendments to the Finance Act 2019 with most related to boosting investment.

Of all the recommendations, five are related to income tax measures, one caters to sales tax, two to customs and one for federal excise duty. These amendments will come into effect retrospectively from July 1. However, the sales tax, customs and federal excise duty will come into effect on the next day of assent given by President Dr Arif Alvi.

Finance Minister Asad Umar in his concluding speech in the National Assembly said various measures were discussed with stakeholders to encourage investment after presentation of the Finance Supplementary (Second Amendment) Bill, 2019 in the house.

He said the Senate completed its reading of the bill and also gave recommendations. Various chambers of commerce and industry along with other associations also came up with their critique of the bill and gave proposals. However, he did not disclose the number of proposals for inclusion from stakeholders in the supplementary bill.

The customs duty has been exempted on import of plant and machinery by greenfield industrial undertakings to provide them an additional inventive. Moreover, the government also waived off customs duty and advance income tax on import of firefighting equipment for setting up industrial entities in the Special Economic Zones.

As an additional tax incentive to encourage investment in the greenfield projects, business income of greenfield industrial undertakings has been exempted for a period of five years. The bill also spares them from minimum tax on turnover, commencing from July 1 onwards.

Furthermore, advance tax on profit paid on Pakistan Banao Certificates, Sarmaya-e-Pakistan Ltd and Duty Drawback Bonds has been waived.

The government has decided to establish Refund Settlement Company Ltd, a fully owned entity of the Federal Board of Revenue (FBR), to issue proposed bonds to exporters and other businesses. In order to facilitate exporters and other businesses, outstanding sales tax refunds shall be liquidated through issuance of promissory notes or bonds by FBR.

Non-filers were also allowed to purchase locally manufactured vehicles irrespective of engine capacity. Earlier, it was proposed that only up to 1,300cc cars can be bought by them. Asad said the decision was taken to address concerns of local manufacturers of motor vehicles.

Incentives have been proposed for banks on advancing loans for agriculture, low-cost housing and micro, small and medium enterprises. The taxable income arising from additional advances for the tax years 2020-23 will be charged at the reduced rate of 20pc.

The bill also proposed reduction in tax liability for inter-corporate dividends. It exempts such dividend derived by a company if it avails group relief according to its proportion of shareholding.

A 10pc federal excise duty was proposed for locally manufactured motor vehicles of engine capacity of 1,800cc and above. However, in order to address the concerns of local manufacturers, the capacity has been revised to 1,700cc.

The government has exempted customs duty on 31 health-related items, waiving off customs duty on 30 industrial raw materials while reduced the rates on other 15 raw materials. It was also decided to establish Directorate General of International Tax Operations to look after the international tax operations.

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