DAWN

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Tax laws changed to punish currency smugglers, benefit traders

ISLAMABAD: The government through a presidential ordinance has introduced significant changes to tax laws to implement concessions promised to traders, reduce duty on import of low-value mobile phones, and penalise currency smugglers.

The 24-page ordinance was notified on Dec 28, but released to media on Jan 1 — the same day when the government convened sessions of the National Assembly and Senate.

The amendments will apply to income tax, sales tax and customs duty.

The standard rate of minimum tax is reduced from 1.5pc to 0.5pc in the case of traders having a turnover up to Rs100 million for the tax year 2020. However, traders having a turnover up to Rs100m who have filed their returns for the tax year 2018 will be obliged to pay tax equal to or more than the tax paid for the tax years 2018, 2019 and 2020.

Traders being individuals and having a turnover up to Rs100m will not be required to act as a withholding agent under Section 153 of the ordinance. The condition to qualify for a Tier-1 retailer has been amended so as to increase the threshold of electricity consumption from Rs600,000 to Rs1,200,000.

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The customs duty was reduced from Rs730 to Rs100 per mobile phone having a value between $30 and $100. Sales tax on mobile phones up to the value of $30 has been reduced from Rs130 to Rs100 and on phones having value up to $100 from Rs1,320 to Rs200.

The ordinance has been issued in order to enable sharing of information between the Federal Board of Revenue (FBR) and Financial Monitoring Unit (FMU) to facilitate the latter to perform its functions as laid down in the Anti-Money Laundering Act, 2010, and to ensure compliance with the Financial Action Task Force regulations.

To penalise persons found illegally carrying foreign currency ranging between $10,000 and $200,000 or above, varying degrees of penalties have been proposed, from a mere fine to imprisonment of up to 14 years.

The government has introduced several amendments to the Income Tax Ordinance for encouraging investment in the local debt market and simplifying the tax regime for non-resident companies.

In order to facilitate manufacturers, if a commissioner fails to issue exemption certificate on raw material imports within the time period, the certificate will be automatically processed and issued by the IRIS and will be deemed to have been issued by the commissioner. However, the commissioner will have the mandate to modify or cancel such a certificate.

The Green Field Industrial Undertaking has been defined and this definition will be applicable from July 1, 2019, onwards. Similar definition has also been introduced in the Sales Tax Act.