

FBR to implement tax relief measures from July 1

ISLAMABAD: The Federal Board of Revenue (FBR) will implement income tax, customs duty and sales tax/excise duty relief measures, and new enforcement/administrative measures introduced through the Finance Bill, 2020, from July 1st, 2020.

The Finance Bill 2020-2021 will come into force after signing of the bill by President Arif Alvi. The FBR will issue customs notifications after signing of the bill by the president.

According to the Finance Bill 2020, the purpose of this bill is to make financial provisions for the year beginning on July 1, 2020, and shall come into force on July 1, 2020.

"This bill shall be called the Finance Bill, 2020. (2) It shall, unless specified otherwise, come into force on the first day of July, 2020", the Finance Bill added.

From the 1st of July, the FBR enforced changes in tax rates, tax relief measures, rationalisation of the customs duty, revised rates of taxes, implementation of documentation measures, revision in tax laws, and legal/procedural changes in tax laws.

The minimum threshold of supplies by retailers for obtaining CNICs of the buyers was increased from Rs50,000 to Rs100,000 from July 1, 2020.

Through Finance Bill 2020, the government has abolished additional customs duty (ADC) on the import of 1,640 items, reduction of customs duty on 90 items from 11 percent to three percent and zero percent, reduced sales tax from 14 to 12 for big retailers, withdrawn nine types of withholding taxes; reduced holding period and tax rates for capital gain on immovable property, and exempted withholding tax on cash withdrawal to the extent of foreign remittances.

To augment efforts towards simplification of the withholding tax regime, the withholding tax provisions are being deleted: Collection of advance tax on education-related expenses remitted abroad; tax on steel melters and composite units; withdrawal of balance under pension fund; tax on local purchase of cooking oil or vegetable ghee by certain persons; advance tax on functions and gatherings; advance tax on cable operators and other electronic media; advance tax on dealers, commission agents and arhatis etc.; advance tax on insurance premium; advance tax on tobacco.

This measure would reduce the cost of the compliance of taxpayers, enhance the control of FBR over the withholding tax regime, and would be pivotal in promoting ease of doing business.

To incentivise and propel economic activity in the real estate sector, the bifurcation of plots and constructed property for determining holding period of capital gains is being done away with i.e. the holding period for taxation of capital gains on disposal of immovable property is being restricted to four years.

The FBR also proposed reduction into capital gains tax (CGT) on real estate from possessing period of eight years to four years, and the rates also reduced from five to 2.5 percent, from 10 to five percent, and 12.5 to 7.5 percent.

The FBR has imposed 7.5 percent Federal Excise Duty ad valorem in case of locally-manufactured double cabin (4X4) pick-up vehicles, and 25 percent in case of imported ones, increase FED on cigar,

cheroots, and cigarillos, and imported cigarettes from 65 percent to 100 percent of retail price, increase in rate of FED on filter rods from Re 0.75 to Re 1 per filter rod, levy of FED on e-liquids of electric cigarettes at Rs10 per ml, and levy of FED on caffeinated energy drinks at rate of 25 percent.

The FBR also reduced GST rate from 14 to 12 percent for tier-1 retailers who will connect with Point of Sale (POS) software.

The FBR hopes that 20,000 retailers will be connected with POS software in the next fiscal year.

The FBR also reduced regulatory duty on 400 to 500 smuggling-prone items and enhanced scope of concession available to Special Economic Zones (SEZs).

On customs side, the FBR reduced custom duty on 40 raw materials of various industries, rationalised tariff under National Tariff Policy 2019, by reducing customs duty on 90 tariff lines from 11 percent to three percent and zero percent, and allowed the exemption on import of raw material to those Nashiran-e-Quran who do not have their own in-house printing facility.

The FBR reduced regulatory duty from 12.5 percent and 17.5 percent to six percent and 11 percent, respectively on Hot Rolled Coils (HRC) of Iron and steel falling under PCT codes 7208, 7225 and 7226, respectively.

The revenue impact of the said relief measures would be Rs3.5 billion.

On the request of various local industries, a number of their inputs/intermediary raw materials are being allowed concessionnal import under new serial number of the fifth schedule through IOCO quota determination and granted exemption of custom duties on import of raw materials by manufacturers of Butyl Acetate.

The FBR granted exemptions of custom duty on import of raw material by manufacturer of syringes and saline infusion sets, import of raw material by manufacturers of buttons and reduced custom duty on import of raw material by manufacturers of interlining/buckram.

The FBR reduced custom duty and exemption of additional custom duty and regulatory duty on import of raw materials by manufacturers of wire rod, exemption of import of machinery, equipment and other project-related items for setting up of internet cable landing stations.

The FBR exempted customs duties on import of 61, Covid-19-related items, which was due to expire on 20th June, has been extended due to the continuation of pandemic till September 30th, exemption from two percent additional customs duty on import of edible oils and oil seeds under PM's Covid-19 Relief Package has been extended up to September 30th, 2020, granted exemption of duties and taxes on import of dietetic foods for children with inherited metabolic disorders and exemption of all duties and taxes on import of diagnostic kits for cancer and the coronavirus.

The government granted exemption of customs duties on inputs of Ready to Use Supplementary Foods (RUSF) and exempted customs duties on import of life-saving drug meglumine antimonite for treatment of leishmaniasis.

The government granted extension up to 2023, in exemption of customs duties on imports for setting up new industries in erstwhile FATA area.