

Pakistan

Pakistan Passes Finance Supplementary Bill to Secure IMF Loan

23 February 2023

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On 20 February 2023, Pakistan's National Assembly passed the Finance (Supplementary) Bill 2023 which provides for a 1% increase in general sales tax, additional taxes on luxury items and other direct tax measures. The new taxes worth PKR 170 billion have been imposed to revive a stalled USD 6.5 billion International Monetary Fund bailout programme which, in the ninth review, will release a USD 1.2 billion loan tranche that was originally due in November 2022, and follow price increases in petrol and gas on 16 February 2023.

The Bill received Presidential assent on 23 February 2023 and will take effect at once, except where otherwise indicated below.

The main tax measures are as follows:

- an advance adjustable income tax on the acquisition of shares of a company, including shares of a listed company made through a registered stock exchange and settled through the National Clearing Company Pakistan Limited, must be deducted by the buyer at the rate of 10% of the fair market value. The seller of the shares is required to furnish a prescribed statement to the tax authorities within 30 days of the transaction. The disposal of shares of a listed company made through a registered stock exchange and settled through the national clearing institution will continue to be taxed separately under section 37A of the Income Tax Ordinance;
- an advance adjustable income tax will apply on the arrangement or holding of social functions and gatherings in specified premises, at the rate of 10% (a similar advance tax was abolished in 2020);
- the general sales tax rate increased from 17% to 18% with effect from 14 February 2023 (as notified earlier in SRO 179(I)/2023);
- the rate of sales tax on imported mobile phones or satellite phones (CBUs) will increase from 17% to 18% for phones valued at more than USD 200 to USD 500, and to 25% for phones valued at more than USD 500; and
- the excise duty increased on certain items such as international flight tickets and cigarettes (as notified earlier in SRO 178(I)/2023), with effect from 14 February 2023.

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