

Pakistan

Budget 2023/24: Pakistan to Expand Definition of PE, Impose Tax on Windfall Gains

13 June 2023

Report from our correspondent Dr Ikram ul Haq, Advocate Supreme Court, Huzaima & Ikram, Lahore

The Federal Finance Minister presented the Budget for 2023/24 and the [Finance Bill 2023](#) to the National Assembly on 9 June 2023. The Budget contains various measures to expand the definition of a permanent establishment (PE) and associated parties, impose a tax on windfall gains and numerous changes to advance and withholding tax rates.

The main tax proposals are highlighted below.

Revenue measures

- The definition of a PE will be broadened by removing the word "fixed" from the phrase "place of business", and widening the scope of a services PE to include the provision of services by a person not only through their employees/personnel, but also through an entity.
- The definition of an associate will be expanded to include factors of influence (economic and financial dependence), and where one party is a resident of a no-tax jurisdiction (as prescribed).
- An additional tax will be imposed at a rate not exceeding 50% on unexpected income, profit or gains of any person due to economic or other factors (windfall gains), including commodity price or foreign currency fluctuations.
- The super tax on high-earning persons under section 4C of the Income Tax Ordinance will be rationalized to apply to all persons with incomes above PKR 150 million, with the insertion of three new income slabs of PKR 350 million to PKR 400 million, PKR 400 million to PKR 500 million and PKR 500 million and above to be taxed at 6%, 8% and 10% respectively.

Advance and withholding tax measures

Changes in various advance tax and withholding tax rates were proposed, including the following:

- increase in the withholding tax on payments for certain goods and services;
- re-imposition of a 10% final withholding tax on the issuance of bonus shares by a company;
- re-imposition of a 0.6% advance adjustable withholding tax on persons not appearing on the Active Taxpayers List on cash withdrawals exceeding a total of PKR 50,000 in a single day;
- imposition of an adjustable advance tax of PKR 200,000 at the time of issuance of a work permit/visa for employment of a foreign domestic helper; and
- increase in the withholding tax rate from 1% to 5% on payments overseas through debit, credit or prepaid cards.

For other measures related to Federal Budget 23/24, see [Pakistan Presents Federal Budget for 2023/24 with Focus on Growth Sectors \(13 June 2023\)](#).

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