

Pakistan

Budget 2023-24 Includes Incentives for SMEs, IT, Export, Construction and Agriculture Sectors

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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 encourage and stimulate the information technology (IT) and IT-enabled services, export, small and medium-sized enterprise (SMEs), construction and agriculture sectors. Measures have also been proposed to increase foreign remittances from abroad, promote youth entrepreneurship and provide relief to lower-income taxpayers.

The main tax proposals are highlighted below.

Incentive and other relief measures

- The concessionary tax regime for small and medium-sized enterprises will be expanded to include the provision of IT or IT-enabled services. Additionally, the qualifying revenue threshold under the regime will be increased from PKR 250 million to PKR 800 million, and where annual turnover of the business is between PKR 250 million and PKR 800 million, a new tax rate of 20% applies under the net taxation regime and 0.75% under the final taxation regime.
- A 5-year tax holiday will be granted from tax year 2024 to tax year 2028 for small and medium agro-based industries set up in rural areas on or after 1 July 2023.
- A 10% reduction in tax liability or PKR 5 million, whichever is lower, will be granted in respect of income derived by a builder from a new building construction project, for tax years 2024 to 2026, where the layout plan is approved on or after 1 July 2023.
- A 50% reduction in tax liability will be granted for tax years 2024 to 2026 for youth entrepreneurship (maximum limit of PKR 2 million for individuals and associations of persons and PKR 5 million for companies).
- The concessionary fixed tax rate of 0.25% for exports of computer software, IT services or IT enabled services is set until tax year 2026.
- The exemption for profits and gains from sale of immovable property or shares of special purpose vehicles to any type of REIT schemes will be extended by 1 year, i.e. up to 30 June 2024.
- The income tax exemption for resident persons of federally and provincially administered areas (FATA/PATA) will be extended by 1 year, i.e. up to 30 June 2024.
- Minimum tax on turnover will be reduced from 1.25% to 1% for companies listed on the Pakistan Stock Exchange.
- The monetary limit of foreign remittance remitted from outside Pakistan will be increased from PKR 5 million to the rupee equivalent of USD 100,000 for the purpose of section 111(4) of the Income Tax Ordinance which provides an exclusion from the anti-avoidance measure regarding unexplained income/assets.
- The 20% concessionary tax rate for a banking company's income from additional advances to micro, small and medium enterprises and the low-cost housing and agriculture sector, will be extended for another 2 years to tax year 2025. The concession is also extended to income from additional advances to the IT and IT enabled services sector for tax years 2024 and 2025.
- Profit on debt and capital gains from government securities that are derived by non-resident banking companies (as approved under a sovereign agreement) will be exempt.
- The higher tax rates applicable to taxable income attributable to investment in government securities when the gross advances to deposit ratio is less than 50% will not apply to banking companies for the tax year 2024.

The following relief measures are also available for individuals:

- a new tax credit will be given for the construction of a new residential house that is completed between tax years 2024 to 2026, provided the layout plan is approved on or after 1 July 2023. The tax credit is 10% of tax assessed and subject to a maximum tax credit amount of PKR 1 million; and
- a waiver of the 2% final withholding tax on purchases of immovable property will be given to non-resident individuals who are holders of a Pakistan Origin Card, National ID Card for Overseas Pakistanis or Computerized National ID Card, where the immovable property is acquired through foreign remittances from abroad.

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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