

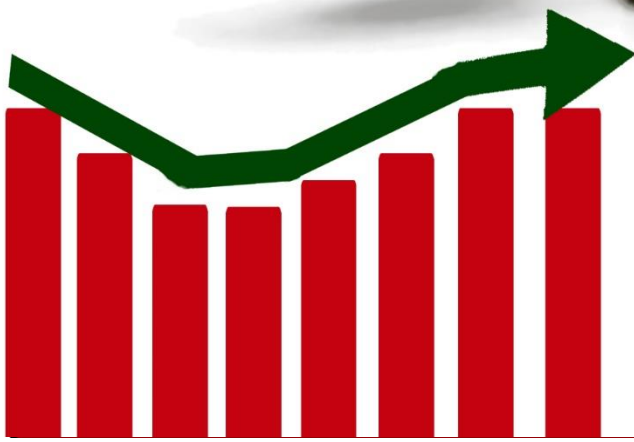
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SANAULLAH & Co.

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BUDGET BRIEF

2024-25



BUDGET AT GLANCE 2024-25

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Budget Brief Prologue:

The information contained in this briefing is based on the Finance Bill 2024-25. This given information is correct to the best of our knowledge. This briefing is intended to provide a general outline of the object covered which includes the important charges proposed through the Finance Bill 2024-25. The Memorandum included comments on the highlights of the changes brought through by the Bill in the Income Tax Ordinance 2001, Sales Tax Act 1990.

Income Tax:

The Finance bill 2024 has proposed the following budgetary measures pertaining to Income Tax for FY 2024- 25:

1. Progressive Tax Rate for Non Salaried Person

It is proposed that Tax rates for non-salaried individuals have five taxable slabs with progressive tax rates ranging from 15% to 45%.

2. Progressive Tax Rate for Sale & Purchase of Immovable Properties

It is proposed that Progressive tax rates on sale & purchases of properties, categorized into three categories, namely, one, filers, two, late-filers, and three, non-filers.

On Purchase Of Property By Filers:

- 3% for values of properties up to 50 million.
- 3.5% for values of properties between 50 million and 100 million.
- 4% for value of properties above 100 million.

On Purchase Of Property By Late Filers:

- 6% for values of properties up to 50 million.
- 7% for values of properties between 50 million and 100 million.
- 8% for value of properties above 100 million.

On Purchase Of Property By Non Filers:

- 12% for values of properties up to 50 million.
- 16 for values of properties between 50 million and 100 million.
- 20% for value of properties above 100 million.

On Sale of property by filers:

- 3% for values of properties up to 50 million.
- 4% for values of properties between 50 million and 100 million.
- 5% for value of properties above 100 million.

On Sale of property by Late filers:

- 6% for values of properties up to 50 million.
- 7% for values of properties between 50 million and 100 million.
- 8% for value of properties above 100 million.

On Sale of property by Non-filers:

- Straight rate is 10% for properties of any value.

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3. Capital Gains On The Sale Of Immovable Property

- It is proposed that flat **15%** rate of tax on gains from the disposal of immovable property acquired on or after 01st July, 2024 by filers regardless of the holding period.

4. Capital Gains On The Sale Of Securities

It is proposed that securities acquired on or after July 1, 2024, the capital gain on such securities will be taxed at a flat rate of 15% for filers. For non-filers, the gain will be taxed at normal rates, with a minimum rate of **15%** and a maximum rate of **45%**. Additionally, the tax rate on capital gains from mutual funds and collective investment schemes will be increased from 10% to **15%**.

5. Dividend Income From Mutual Funds

It is proposed that rate of dividend derived from a mutual fund which earns 50% or more of its income from profit on debt be enhanced from 15% to **25%**.

6. Normal Income Tax On Export Income

It is proposed income from exports be subjected to normal rates with one percent tax collection on their export proceeds be treated as minimum tax.

7. Reduce Rate Certificate:

It is proposed that Exemption certificate converted into a reduced rate certificate.

8. Higher Tax Rates For Non-Filers Earning Income From Profit On Debt

It is proposed that enhanced tax rate from 30% to **35%**.

9. Withholding Tax Rates On Non-Filer Rates For Distributors, Dealers, Wholesalers And Retailers

- It is proposed that such tax will be collected from all sectors of the economy.
- Rate for non-filers for dealers, distributors, wholesalers enhanced from 0.2% to **2%**.
- Rate for non-filers retailer is being enhanced from 1% to **2.5%**.

10. Higher Withholding Tax On Registration Of Vehicles

It is proposed that basis of tax collection may be changed from engine capacity to percentage of value in cases of all motor vehicles.

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11. Increase In Rate Of Default Surcharge Due To Late Payment

It is proposed that the default surcharge rate be increased to **KIBOR+3%** per annum.

12. Audited Accounts Obligation For Associations Of Persons (AOPs)

It is proposed that AOPs with turnovers of Rs. 300 million or more would need to submit audited financial statements to discourage misuse and promote transparency and non-compliance would render members' share income taxable.

Sales Tax:

The Finance bill 2024 has proposed the following budgetary measures pertaining to Federal Sales Tax for FY 2024- 25:

- 1) It is proposed that withdrawal of various exemptions/zero rating and reduced/fixed rates.
- 2) It is proposed that Sales tax on Textile and leather supplies made by Tier Retailer 1 to be increased from reduced rate 15% to standard rate **18%**.
- 3) It is proposed that standard rate 18% Sales Tax rate on Mobile phones (other than mobile phones valuing exceeding US\$ 500 which will remain chargeable to existing rate of 25%).
- 4) It is proposed that Sales Tax withholding regime for Bronze, Coal, Papers and Plastic scrap.
- 5) It is proposed that Sales Tax exemption on Iron and Steel scrap.
- 6) A phased withdrawal of exemption granted to ex-FATA/PATA.
- 7) It is proposed that default Surcharge rate to be changed from 12% to SBP's policy rate **KIBOR+3%**.
- 8) It is proposed that penalty or default surcharge may be imposed on sales tax withholding agent if fail to withhold or deposit of withholding sales tax.
- 9) It is proposed that Best Judgment Assessment concept introduced in Sales Tax.
- 10) It is proposed that electronic sales invoicing to be made mandatory by all.

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- 11) It is proposed that board empowered to fix minimum price of the goods falling under Third Schedule.
- 12) It is proposed that changes in the legal provisions related to assessment and audit.
- 13) It is proposed that zero-rating of petroleum products is being converted into exemption.
- 14) It is proposed that streamlining and strengthening the provisions related to tax fraud.

Custom Duties:

The Finance bill 2024 has proposed the following budgetary measures pertaining to Custom Act for FY 2024- 25:

- 1) Discounts are given on import of feed & Seeds of Fish Farming.
- 2) Discounts are given on manufacturing of Solar Panel and its allied Products.
- 3) Withdrawal of subsidies on import of Hybrid Cars and Luxury Electric Cars.
- 4) Withdrawal of subsidies on import of Vapes.
- 5) Customs duties are increasing on Steel /Paper and Ball Bearings.

Federal Excise Duty:

The Finance bill 2024 has proposed the following budgetary measures pertaining to Federal Excise Duty for FY 2024- 25:

- 1) Imposition of FED on acetate tow @ Rs. 44,000 is proposed.
- 2) Imposition of FED on nicotine pouches @ Rs. 1200/Kg
- 3) Enhancement of FED on E-Liquids is also proposed.
- 4) FED @ Rs. 15/ Kg on supply of sugar to manufacture.
- 5) Rate of Cement is being enhanced from Rs. 2/kg to Rs. 3kg.
- 6) Power to Seal business premises of retailers selling illicit cigarettes.
- 7) 5% FED imposed on New Plots/ Residential/ Commercial Properties.