

## **BRIEF ON INCOME TAX REFORM PACKAGE**

The Federal Government on 5<sup>th</sup> April 2018 has proposed the tax incentive scheme which would result in relief to some taxpayers with a simultaneous move towards the broadening of tax net. The salient features of scheme are as follows:

1. **Relief to individual taxpayers:** Exempt income threshold for individual taxpayer class is proposed to be increased from Rs. 400,000 to Rs. 1,200,000 per annum. Further, reduction in tax rates is also proposed in the scheme as follows:

<b>Annual Income</b>	<b>Tax Rate</b>
Upto Rs. 1,200,000	0%
Rs. 1,200,001 to Rs. 2,400,000	5%
Rs. 2,400,001 to Rs. 4,800,000	10%
Over Rs. 4,800,000	15%

Currently, the maximum tax rate for business individual is 35% and for salaried individual is 30%. The proposed policy would provide substantial relief to individual taxpayer class.

2. **Broadening of tax net:** Alongside tax relief to the individual taxpayer, it is proposed that the CNICs of all individuals would be considered as their National Tax Number (NTN). As per current provisions of the Income Tax Ordinance, 2001, every NTN holder is required to file his income tax return. This move will broaden the tax net and would provide a way to the Federal Government to general additional revenue.

Financial transaction of every citizen having CNIC would be monitored and notices would be served on the basis of data gathered though such monitoring on yearly basis.

3. **Option to regularize undisclosed cash / and non-cash assets:** One-time tax amnesty scheme is proposed which would be valid till 30<sup>th</sup> June 2018. The said amnesty proposes that the taxpayer can regularize their local cash assets or foreign exchange repatriated from outside Pakistan by paying

one-time tax at the rate of 5% and 2% respectively on such undisclosed local and foreign cash assets.

Further, undisclosed liquid assets in foreign countries can be regularized in Pakistan by paying tax at the rate of 5%.

Non-Cash assets can also be regularized by paying one time at the rate of 3% of cost or market price whichever is higher.

However, the above scheme would not be applicable for politically exposed persons and their families.

4. **Undervaluation of immovable properties:** In order to curb the undervaluation of property to avoid payment of taxes. the Federal Government would be empowered to purchase the property from the owner within six month of registration on following basis:

<b>Registration Year</b>	<b>Purchase value for Federal Government</b>
2018-19	Twice the declared value
2019-20	75% more than the declared value
2020-21 and onwards	50% more than the declared value

District Collector (DC) rates of the property shall become irrelevant and people have to declare the real value of property and offer tax thereon.

Besides above strict provision, adjustable advance tax rate on registration of immovable property shall be reduced to 1% only in order to discourage under valuation.

Further, non-filers of returns would not be able to purchase any property for over Rs. 4 million.