

Deloitte.



**ECONOMIC REFORMS PACKAGE BRIEF
APRIL 2018**

Tax ●

Prime Minister of Pakistan Shahid Khaqan Abbasi announced the economic reforms package during press conference on April 5, 2018. Main feature of economic reforms is announcement of amnesty for declaring foreign and local assets, which would be available till June 30, 2018 and thereafter strict penalties shall be imposed on defaulters. These reforms also aim to enhance the tax net and technology would also be used to trace financial transactions in order to strengthen efforts in this respect. Salient features of announcements are given in ensuing paragraphs.

1. RELIEF IN INDIVIDUAL TAX RATES

Significant reductions in individual tax rates have been announced as tabulated below:

Slabs (Rs.)	Tax Rates
Upto 1,200,00	0%
1,200,000 – 2,400,000	5%
2,400,000 – 4,800,000	10%
4,800,000 and above	15%

2. AMNESTIES FOR FOREIGN ASSETS AND LOCAL ASSETS

Amnesties in this respect have apparently been encoded in 2 separate legislations viz. **Foreign Assets Declaration and Repatriation Ordinance** and **Voluntary Declaration of Domestic Assets Ordinance**. Relevant provisions are summarized below.

a. Requirements of Foreign Assets Declaration and Repatriation Ordinance

Applicability of Ordinance is proposed to be extended to every resident company, resident association of persons and all citizens of Pakistan except public office holders.

i. Repatriation of foreign exchange

Foreign exchange would be able to be repatriated on the payment of 2% of the amount repatriated. There are two

options for foreign exchange repatriation:

- Bonds for five years at the rate of 3% per annum (on 6 monthly payment) that are not encashable in year 1, or
- All encashments in Pak rupee at prevailing interbank rate.

It has also been announced that local holders of foreign exchange can also buy this bond.

ii. Foreign Exchange held in dollar accounts in Pakistan

Dollar account holders in Pakistan, who have purchased dollars through undeclared money can regularize on 2% payment.

iii. Foreign fixed assets

Foreign fixed assets can be declared on payment of 3% of the market price but in no case it should be less than the cost of acquisition.

iv. Foreign liquid assets

Foreign liquid assets including cash, securities, bonds etc. held outside Pakistan can be regularized on payment of 5%.

v. Other reforms

- Annual remittances less than 100,000 dollars per person per year will enjoy tax exemption and will not be questioned by any agency regarding source.
- Annual remittances more than 100,000 dollars per person per year will remain exempt but source may only be questioned by FBR. Further, this information will be shared with any other agency.

vi. Restrictions

- Foreign Assets Ordinance is not valid for assets acquired by means of money laundering, drug smuggling or terror financing;
- It is also not applicable to current public office holders / people in service in Pakistan including their spouses and dependent children.

b. Requirements for local assets as per Voluntary Declaration of Domestic Assets Ordinance

Any undeclared income earned on all local assets (both movable and immovable) before June 30, 2017 can be regularized on the payment of 5% of the amount declared.

3. RESTRICTIONS ON NON-FILERS:

- Non-filers would no longer be able to open any foreign currency account as per Foreign Assets Ordinance.
- Non-filers of income tax returns would no longer be able to purchase property costing over Rs. 4 million as per Domestic Assets Ordinance.

4. MEASURES FOR IMMOVEABLE PROPERTY DECLARATION

Adjustable advance tax on registration of property has been announced to be reduced to 1%. Further, provincial authorities have also been advised to reduce local and provincial levies up to 1%.

The FBR valuation rates on property are proposed to be abolished from July 1, 2018 and provinces are also being requested to abolish DC rates.

Further, in order to avoid under declaration, the Federal Government may hold the right to acquire any property by paying premium over declared value

within six months of registration as tabulated below:

Registered in	Over and above
FY 2018-19	100% of the value declared
FY 2019-20	75% of the value declared
FY 2020-21 and thereafter	50% of the value declared

5. FILING OF RETURN:

Proposals in this respect are given below:

- Computerized National Identity Card Number (CNIC) to replace National Tax Number,
- All CNIC holders have to file return of income.

6. FURTHER UPDATES:

The Brief has been prepared on the basis of limited available information cardinally comprising of PM's press conference dated April 5, 2018. Ordinances / amendments in laws are expected to be promulgated soon.

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte Yousuf Adil, Chartered Accountants is a Member of Deloitte Touche Tohmastu Limited, providing audit, consulting, financial advisory, risk management and tax services, in four cities across the country. For more information, please visit our website at www.deloitte.com/view/en_PK/pk/index.

This publication contains general information only, and none of the Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2018 | Deloitte Yousuf Adil Chartered Accountants. Member of Deloitte Touche Tohmatsu Limited