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16th May, 2025

Dr. Najeeb Ahmad Member Policy Federal Board of Revenue Islamabad

Dear Dr. Najeeb,

INFORMATION REQUESTED ON THE IMACT OF TAXATION ON LISTED COMPANIES AND EXPORTERS

We were grateful to you for meeting us on Zoom on 9th May to discuss our main recommendations for the forthcoming budget. You will recall that when we met the Finance Minister, the Chairman FBR, you and your team on 27th January, we had presented proposals to provide a roadmap to promote formalisation of the economy and to address the key economic imperatives of exports and indigenisation of inputs. We had also offered to assist the FBR in gathering data to support the strategic intent of our proposals. In our discussion with you last week, you had sought the following information:

1. BONUS SHARES

In support our recommendation to withdraw tax on the issue of bonus shares, please note the sharp reduction in bonus share declarations, leading to reduced tax revenue. Conceptually, it is inequitable to tax an action that does not lead to increase in the intrinsic value of shareholding. Bonus distributions merely increase the number of shares issued, leaving the aggregate value unchanged.

Number of Bonus Declarations:	Number of Bonus Share Distributions
FY 2021	49
FY 2022	47
FY 2023	33
FY 2024	7

2. IMPACT OF 1% REDUCTION IN CORPORATE TAX RATE OF LISTED COMPANIES

Based on data from PSX for the FY 2024, we have quantified the impact of a 1% reduction in the corporate tax rate of listed companies at Rs. 29.4 Bn as per Annexure One attached. In our recommendations for the federal budget, we had requested for a 1% per annum reduction in the corporate tax rate until it reaches 25%, which is more in line with the regional norm.

3. IMPACT OF MINIMUM AND ADVANCE TAX ON EXPORTS

Based on turnover and profit before tax as reported for the latest quarter ended 31 March 2025 by 34 listed composite textile companies which are the main exporters, our observations are below:

- a) The minimum tax on turnover of 24 out of the 34 companies will exceed the tax due on profit under the Normal Tax Regime by a total of Rs. 985 Mn for the quarter. This extrapolates to Rs. 3.9 Bn for the year.
- b) Compared to the tax liability under the Normal Tax Regime, for 28 of the 34 companies, the imposition of minimum tax on turnover and Advance Tax on export realization results in excess payment of Rs. 3.54 Bn for the quarter. Whilst the Advance Tax is adjustable, refunds take time, and this adds considerably to their cash flow burden.

The assumptions on which the above conclusions are based are listed in the attached Annexure Two. We urge you to reconsider the imposition of minimum tax on turnover and to reduce the Advance Adjustable Tax on export receipts. The margins on which the export sector operates are likely to suffer due to the uncertainty arising from the levy of higher tariffs by the US, our largest export market.

We look forward to discussing matters relating to the aforementioned. Please let us know if you need additional information for an equitable budget, which is also well-aligned with the longer-term strategic needs of the economy.

Yours sincerely,

Ehsan Malik

Encl: Annexures One and Two

ANNEXURE ONE: IMPACT OF 1% REDUCTION IN CORPORATE TAX OF LISTED COMPANIES BASED ON REPROTED PROFIT BEFORE TAX FOR THE FINANCIAL YEAR 2024

	PROFIT BEFORE TAX FO FY 2024
	PKR Millions
CLOSE-END MUTUAL FUND	25
LEASING COMPANIES	281
INVESTMENT BANKS / INVESTMENT COMPANIES / SECURITIES COMPANIES	26,956
COMMERCIAL BANKS	1,248,094
INSURANCE	49,658
TEXTILE SPINNING	4,603
TEXTILE WEAVING	60
TEXTILE COMPOSITE	49,151
WOOLLEN	288
SYNTHETIC & RAYON	5,010
JUTE	19,644
CEMENT	132,033
PROPERTY	3,235
TOBACCO	49,878
REFINERY	48,958
POWER GENERATION & DISTRIBUTION	62,329
OIL & GAS MARKETING COMPANIES	59,605
OIL & GAS EXPLORATION COMPANIES	616,842
ENGINEERING	9,175
AUTOMOBILE ASSEMBLER	77,343
AUTOMOBILE PARTS & ACCESSORIES	8,497
CABLE & ELECTRICAL GOODS	8,094
TRANSPORT	9,398
TECHNOLOGY & COMMUNICATION	22,303
FERTILIZER	225,319
PHARMACEUTICALS	41,343
CHEMICAL	31,829
PAPER, BOARD AND PACKAGING	10,260
VANASPATI & ALLIED INDUSTRIES	11
LEATHER & TANNERIES	3,468
FOOD & PERSONAL CARE PRODUCTS	94,089
GLASS & CERAMICS	16,766
MISCELLANEOUS	10,342
TOTAL Rs. Millions CORPORATE TAX REDCUTION IMPACT (Rs. Millions)	2,944,886
NOTES:	29,449
Loss making companies have been excluded from above	
) Modarabas and REITS have also been excluded	
Assumption is that none of the companies are in tax holiday zones	
) Impact of depreciation allowances has been ignored	

ANNEXURE TWO: IMPACT OF MINIMUM TAX ON TURNOVER AND LEVY OF ADVANCE TAX ON EXPORT PROCEEDS OF LISTED COMPOSITE TEXTILE COMPANIUES FOR THE QUARTER ENDED 31 MARCH 2025

Symbol	Name of Textile Composite Company	Unconsolidated Turnover (Export and Domestic) for the Qtr ended 31 March 2025	Unconsolidated Profit Before Tax (Export and Domestic) for the Quarter ended 31 Mar 2025
ADMM	Artistic Denim Mills Limited	4,582,408,000	(237,836,000)
AHTM	Ahmad Hassan Textile Mills Limited	1,382,441,034	48,417,884
ANL	Azgard Nine Limited	9,260,754,940	376,820,580
ANTM	AN Textile Mills Limited	1,165,041,000	(10,199,000)
BHAT	Bhanero Textile Mills Limited	8,216,698,434	31,645,500
3TL	Blessed Textiles Limited	7,632,370,905	26,213,979
CHBL	Chenab Limited	449,678,991	(159,417,330)
CRTM	The Crescent Textile Mills Limited	5,159,201,000	(34,023,000)
ASM	Faisal Spinning Mills Limited	11,934,445,667	44,026,086
FML	Feroze1888 Mills Limited	19,080,702,000	635,370,000
ZCM	Fazal Cloth Mills Limited	22,038,208,046	116,056,301
GATM	Gul Ahmed Textile Mills Limited	37,456,341,000	1,330,462,000
GFIL	Ghazi Fabrics International Limited	6,536,246	(62,577,830)
HAEL	Hala Enterprises Limited	112,236,798	12,922,606
HAFL	Hafiz Limited	10,150,825	2,040,573
LP	Interloop Limited	43,192,003,000	1,950,668,000
NKL	International Knitwear Limited	323,441,541	18,180,528
(HYT	Khyber Textile Mills Limited	609,000	(4,398,533)
(ML	Kohinoor Mills Limited	6,571,781,099	6,566,033
(OIL	Kohinoor Industries Limited	21,457,308	12,912,293
(TML	Kohinoor Textile Mills Limited	14,641,795,000	1,435,734,000
MEHT	Mehmood Textile Mills Limited	15,099,996,857	212,356,975
MSOT	Masood Textile Mills Limited	15,810,477,000	337,453,000
NCL	Nishat Chunian Limited Nishat Mills Limited	23,412,141,494	564,502,767
NML REDCO	Nishat Mills Limited Redco Textiles Limited	51,291,428,000	1,608,279,000
REWM		488,852,512	2,744,928 67.525.000
SAPT	Reliance Weaving Mills Limited	9,858,057,000	. , ,
SFL	Sapphire Textile Mills Limited Sapphire Fibres Limited	41,575,339,327 12,990,561	2,873,293,429 804.043
STMI	Shams Textile Mills Limited	928,910,000	(31,181,000)
STYLERS	Stylers International Limited	5.816.606.000	(31,181,000)
SURC	Surai Cotton Mills Limited	5,816,606,000	581,441,000 375,921,000
OWL	Towellers Limited	9,776,708,413	254,169,956
ZAHID	Zahidjee Textile Mills Limited	10,769,848,631	379,809,455
MILITA	TOTAL	10,769,848,631 384,562,205,629	12,866,704,223

ISSUE ONE:

FROM 24 OF 34 COMPANIES LISTED, THERE WILL BE OVER RECOVERY OF TAX UNDER THE TAX REGIME EFFECTIVE FROM JULY 1, 2024 DUE TO THE IMPOSITION OF MINIMUM TAX ON EXPORT TURNOVER

Corp Tax under NTR at 29%		Difference in Tax
on 85% of PBT which is		Liability between NTR
assumed to be derived	Min Tax at 1% on 85%	with Min Tax on export
from export sales	of Turnover assumed	TO (-ve is over recover
(bracketed is tax credit on	as Export sales	+ve is balance to be
loss)		paid
,		
(58,626,574)	38,950,468	(97,577,04
11,935,008	11,750,749	184,26
92,886,273	78,716,417	14,169,85
(2,514,054)	9,902,849	(12,416,90
7,800,616	69,841,937	(62,041,32
6,461,746	64,875,153	(58,413,40
(39,296,372)	3,822,271	(43,118,64
(8,386,670)	43,853,209	(52,239,87
10,852,430	101,442,788	(90,590,35
156,618,705	162,185,967	(5,567,26
28,607,878	187,324,768	(158,716,89
327,958,883	318,378,899	9,579,98
(15,425,435)	55,558	(15,480,99
3,185,422	954,013	2,231,41
503,001	86,282	416,71
480,839,662	367,132,026	113,707,63
4,481,500	2,749,253	1,732,24
(1,084,238)	5,177	(1,089,41
1,618,527	55,860,139	(54,241,61
3,182,880	182,387	3,000,49
353,908,431	124,455,258	229,453,17
52,345,994	128,349,973	(76,003,97
83,182,165	134,389,055	(51,206,89
139,149,932	199,003,203	(59,853,27
396,440,774	435,977,138	(39,536,36
676,625	4,155,246	(3,478,62
16,644,913	83,793,485	(67,148,57
708,266,830	353,390,384	354,876,44
198,197	110,420	87,77
(7,686,117)	7,895,735	(15,581,85
167,975,207	49,441,151	118,534,05
92,664,527	55,101,658	37,562,86
62,652,894	83,102,022	(20,449,12
93,623,031	91,543,713	2,079,31
3,171,642,591	3,268,778,748	(97,136,15
24 OUT OF 34 COS WOULD	OVERPAY TAX VS.	(984,752,40
	3,268,778,748 OVERPAY TAX VS. USE OF MINIMUM TAX	(97,136,1
THEIR NTR LIABILITY BECAL ON TURNOVER. AGGREGA	USE OF MINIMUM TAX TE OVERPAID >>>>>	(984,752,4
10 OUT OF 34 COS WOULD HAVE A BALANCE TO PAY AGAINST THEIR NTR LIABILITY AFTER PAYING MIN TAX ON TURNOVER. AGGREGATE>>>		887,616,24
NET OVER PAID>>>>>>	************	(97,136,15

ISSUE TWO:

THE ADVANCE TAX ON TOP OF MINIMUM TAX ON TURNOVER OF EXPORTERS RESULTS IN HIGH OVER PAYMENT AGAINST THEIR LIABILITY UNDER THE NTR SCHEME

Adjustable Advance Tax at 1% on 85% of turonver assumed as export	Tax payable or (refundable)	Refundable or
1% on 85% of turonver		Refundable or
	(refundable)	
assamed as export	(Payable
00.050.400	(400 507 540)	B.C. at 1.11
38,950,468	(136,527,510)	Refundable
11,750,749 78,716,417	(11,566,489)	Refundable
9,902,849	(64,546,561) (22,319,751)	Refundable Refundable
69,841,937	(131,883,258)	Refundable
64,875,153	(123,288,560)	Refundable
3,822,271	(46,940,915)	Refundable
43,853,209	(96,093,087)	Refundable
101,442,788	(192,033,146)	Refundable
162,185,967	(167,753,229)	Refundable
187,324,768	(346,041,659)	Refundable
318,378,899	(308,798,914)	Refundable
55,558	(15,536,551)	Refundable
954,013	1,277,397	Bal Payable
86,282	330,437	Bal Payable
367,132,026	(253,424,389)	Refundable
2,749,253	(1,017,006)	Refundable
5,177	(1,094,591)	Refundable
55,860,139	(110,101,752)	Refundable
182,387	2,818,106	Bal Payable
124,455,258	104,997,916	Bal Payable
128,349,973	(204,353,952)	Refundable
134,389,055	(185,595,945)	Refundable
199,003,203	(258,856,473)	Refundable
435,977,138	(475,513,503)	Refundable
4,155,246	(7,633,868)	Refundable
83,793,485	(150,942,057)	Refundable
353,390,384	1,486,062	Bal Payable
110,420	(22,643)	Refundable
7,895,735	(23,477,587)	Refundable
49,441,151	69,092,905	Bal Payable Refundable
55,101,658	(17,538,790)	
83,102,022 91,543,713	(103,551,149)	Refundable Refundable
3,268,778,748	(3,365,914,905)	
28 OF 34 WOULD OVERPAY	(3,545,917,727)	
AGAINST THE NTR LIABILITY	(0,010,027,727)	
AFTER MIN TAX ON TO AND		
ADVANCE TAX.		
AGGREGATE>>		
ONLY 6 OF 34 WOULD HAVE	180,002,822	
BAL TO PAY AFTER PAYING		
MIN TAX ON TO AND ADV		
TAX. AGGREGATE>>		
TAX. AGGREGATE>> NET OVERPAID>>>	- 3,365,914,904.72	ĺ

NOTES

) 34 composite textiles sampled due to their high level of exports. PSX data for the most recent reported quarter (to 31 Mar 2025) adjusted to arrive at unconsolidated turnover and profit before tax.

2) An average export reliance of 85% used to simplify. Some like Gul Ahmed, Nishat and Sapphire have lower export reliance but the accurate split for the quarter was not available.

2) Assumed that 85% of reported profit before tax also represents the profit attributable to export income.

ONCLUSIO

) 24 out of 34 companies would over pay an aggregate of Rs. 984 Mn against their liability under the NTR regime due to the imposition of minum tax on turnover.

Compared to the tax liability under the Normal Tax Regime, the imposition of minimum tax on turnover and Advance Tax on export realization would for 28 of the 34 companies result in excess payment of Rs. 3.54 Bn for the quarter.