

MINUTES OF THE MEETING OF THE ANOMALIES COMMITTEE (BUSINESS) ON INLAND REVENUE ISSUES HELD ON JUNE 24TH 2025 AT THE FBR

Attendees

In person:

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| Ehsan Malik, CEO Pakistan Business Council | Chairman (in person) |
| Dr. Najeeb Ahmed Memon, Member Inland Revenue Policy | Co-Chairman (Part Time) |

Via Zoom

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| Mr. Atif Ikram Sheikh, President FPCCI | |
| Member Mian Abuzar Shad, President LCCI | Member |
| Mr. Muhammad Jawed Bilwani, President KCCI | Member |
| Mr. Fazal Moqeen Khan, President Sarhad Chamber | Member |
| Mr. Muhammad Ayub Maryani, President Quetta Chamber | Member |
| Mr. Nasir Mansoor Qureshi, President ICCI | Member |
| Mr. Rehan Naseem, President, Faisalabad CCI | Member |
| Mr. Sohail Pasha, Chairman PTEA, Faisalabad | Member |
| Mr. M Abdul Aleem, SG/CEO OICCI | Member |

1. The Meeting was scheduled for 2 pm but could not start until 2.45 pm due to the absence of the Co-Chair who was occupied on other affairs of the FBR.
2. The meeting started at 2.45 but the Co-Chair was called out of the meeting at 2.55 for some consultation.
3. The online attendees and the Chairman of the Anomalies Committee waited for 45 minutes for the Co-Chair to return. In frustration, the attendees requested the Chairman to lodge a strong objection to the low priority that the Co-Chair and those who call him out, give to the affairs of the Anomalies Committee.
4. The Chairman decided to continue the meeting without the Co-Chair.
5. Each of the anomalies noted below were discussed and the Committee's findings are shown in the last column. Additionally, the members voiced their strong opposition to the powers proposed to be given to the FBR, which in their opinion remain draconian, despite the changes made during the passage of the Finance Bill. The meeting concluded with a general dissatisfaction at the non-serious attitude of the FBR and its reluctance to give the taxpayers' concerns the appropriate attention.

| ANOMALIES COMMITTEE (BUSINESS) | | | | |
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| INLAND REVENUE ANOMALIES | | | | |
| | TYPE OF ANOMALY | AFFECTED TAXPAYERS | ANOMALY | COMMITTEE VIEW |
| 1 | Unjustified increase in non-adjustable WHT on high turnover, low margin businesses in the services sector, which severely impacts their viability. | a. Engro Energy/Engro Corp b. Pakistan Gasport c. Netkom Technologies d. Fleet Operators Association e. Pakistan International Freight Forwarders Association f. OICCI g. Karachi Customs Agents Association (WHT on unspecified services) h. Association of Port Terminals | 1. Existing WHT on turnover, which is also treated as minimum tax on services, exceeds the income tax liability on profit under the NTR. Further increases proposed as follows are unjustifiable: <ol style="list-style-type: none"> a. LNG Terminals from 9% to 15% b. Independent Tower Companies from 4% to 6% c. Freight Forwarders and Fleet Operators from 4% to 6% d. Engineering Services from 4% to 6% 2. Handling, storage and transportation of petroleum is levied adjustable WHT @3%, whereas the same for LNG, Coal, Pharmaceuticals, grain, clinker, fertilizer and other essential items attracts non-adjustable WHT, proposed to be increased further. 3. 90% of the truck fleet in Pakistan are in the informal sector. Increasing the WHT on the formal sector will further impede its growth. 4. The WHT on all non-specified services is to be harmonised at 15%. Many of these are currently subject to WHT at 9%-11%. Their | The Committee strongly endorsed the proposal to: <ul style="list-style-type: none"> • Reduce the WHT, especially of port terminal operators as the rate proposed in the FB represents >70%+ tax on profit under the NTR • FBR should review the WHT's for the affected service businesses through an audit of a reputable model of each business to ensure that the final tax liability does not exceed that on a NTR basis • WHT on these service industries should be made adjustable against liability under NTR • The number of service sectors for which the WHT has not been specified should be reduced by specifying an appropriate rate instead of levying 15% across the board. |

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| | | | increase in cost of doing business will inevitably be passed on to customers in the formal sector. It would be preferable to reduce the list of unspecified services. | |
| 2 | Period for adjustment of excess minimum taxes | a. OICCI b. Novatex c. Pakistan Retail Business Council | Reduction in the period of adjustment of excess minimum tax from 3 to 2 years will affect cyclical businesses and those that have a longer breakeven period. This unpredictable change in policy, besides affecting existing investors, will also negatively impact new investment. | The Committee recommended that the three year period be maintained for absorption of excess minimum tax. |
| 3 | Non-adjustment of business loss against rental income | a. Nishat Hotels b. Packages Real Estate | Hotels, Malls and Apartment Complexes derive income from rent and from the provision of services essential to attract and retain tenants/guests. Such businesses should be taxed on their aggregate profit in line with global practice. | If an exception cannot be made for specific sectors such as hotels and shopping malls operated by the corporate world, losses arising from services rendered necessarily, wholly and exclusively in furtherance of the core rental business should continue to be offset against rental income. For businesses other than shopping malls and hotels that do not have rental of space as their core activity, FBR may take a different view. |
| 4a | Export Facilitation Scheme | a) Novatex b) APTMA c) Council of Loom Owners Assoc | Extend the 18% GST on imports under EFS to all types of yarn, greige and printed fabrics, cotton, MMF and other inputs such as chemicals and dyes | The Committee was of the view that the loopholes in EFS should have been addressed, audits conducted more frequently to check misuse and the original scheme of zero rating of sales tax for local supplies restored instead of encumbering exporters with cash flow burden. Punishing all exporters for the fault of a few miscreants is not appropriate. Punishing all exporters for the faults of a few miscreants is not appropriate. |
| 4b | Export Facilitation Scheme | a) KCCI b) Pakistan Hosiery Manuf Assoc | Restore EFS to its original form with zero GST on local supplies | |
| 5a | Advance Tax on export receipts | a) Novatex | Levy of advance tax at 1% on export realization, in addition to minimum tax at 1.25% of turnover results in high refundable taxes which sap the | Exporters should either be taxed under the NTR or as a % of their turnover in the FTR. Advance tax |

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| | | | cash flow of exporters for up to 18 months. It should be withdrawn. | should either be phased out totally or reduced substantially to avoid the need to obtain refunds. |
| 5b | Tax on exporters | Various | Either tax profit under the normal tax regime or on turnover as hitherto, not on the higher of the two. | |
| 6 | GST refund under FASTER | a) Novatex | Presently restricted to 12% for the five previously zero-rated export sectors. The 12% limit may be extended to all export businesses. | Not an anomaly arising from FB25 but a good suggestion worthy of FBR's consideration |
| 7 | Export sales threshold for Section 8B | a) Novatex | Input tax adjustment beyond 90% is disallowed unless export sales in a month exceed 50% of taxable sales. This penalizes businesses that export and sell in the domestic market. The 50% limit be reduced to 5% | Not an anomaly arising from FB25 but a good suggestion worthy of FBR's consideration |
| 8 | Taxes on motor vehicles | a) Lucky Motor Corp b) Master Changan Motors | <ol style="list-style-type: none"> 1. GST on hybrids at between 8.5% to 12.75% is lower than on EVs. This gives hybrids an unfair advantage over EVs. There is a need for logical progression in GST to achieve environmental and external account objectives 2. GST on locally produced EVs with battery size of >50 Kw is 25%, whilst imported EVs enjoy GST between 12.5% to 18% 3. The levy criterion for NEV adoption is based on engine displacement (i.e. cubic capacity). The Euro framework is more appropriate to relate to emissions. | FBR was urged to review the anomalies raised by stakeholders to ensure a logical ladder of taxes with the environment and external account imperatives in mind. |
| 9 | NPO Status | Audit Oversight Board | The FB sub-section 47 of section 9 proposed moving all entities from Table 1 to 2 to justify NPO status, which is mainly meant for charitable organizations. | FBR confirmed that this had already been addressed |
| 10 | WHT on e-commerce | Pakistan Retail Business Council | Simplify WHT at 0.25% for all e-commerce activities (COD, Digital and through banks) | FBR to consider this simplification to promote e-commerce |

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| 11 | GST status of petroleum products | Wafi Energy | Replace the “exempt” with “zero-rated” status | Not an anomaly arising from FB25 but needs to be considered by the FBR in the interest of this critical sector’s viability |
| 12 | Equalize GST on Homeopathic and Allopathic drugs | Homeopathic Pharma & Chemicals Assoc | Equalizing GST on Homeopathic and Allopathic drugs, presently levied 18% vs. 1% GST | The Committee endorsed equalization of GST, given that DRAP and the Senate also support homeopathic drugs |
| 13 | Minimum retail price of Tea | Tapal | There is confusion between levy of GST on prescribed minimum retail price vs. 130% of duty paid value | The confusion should be resolved |
| 15 | Correction for levy of 2% WHT on imports | PCMA | HS of Non-iconic Surface Agents was changed from 3402.1300 to 3402.4200 but not reflected in Table II of the 7th Sch to subject this to 2% WHT | This should be corrected |

ITEMS REFERRED TO THE BUSINESS ANOMALIES COMMITTEE BY THE TECHNICAL COMMITTEE AND NOT DEALT WITH ABOVE

| S# | Reference of | | Matter raised by (Association / Taxpayer) | Description of Anomaly / Request | Rationale for correction / change requested | Recommendation of Anomaly Committee |
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| | FB 2025 | ITO 2001 | | | | |
| 1 | 9(36) | 175C | PTBA | Proposal to allow the Inland Revenue Department to post officers at business premises will only exacerbate the existing trust deficit between taxpayers and tax authorities. | This measure risks being viewed as coercive, will intrude upon business operations, and opens the door to potential misuse. | This proposal may be withdrawn in favor of more transparent and technology-driven audit procedures. |
| 2 | 6(10)(ii) | STA | OCAC, Attock Petroleum Limited | Request for exclusion of petrol stations from the POS integration requirement for Tier-1 retailers, arguing that the existing regulatory framework under OGRA ensures fixed prices and taxes, making POS integration redundant. | (i) OMCs operate in a highly regulated environment where ex-refinery and consumer prices, including all applicable taxes, are fixed by the government. (ii) Installing and maintaining POS systems at thousands of nozzles/dispensing units at retail | Not an anomaly arising from FB25 but the Anomalies Committee requests the FBR to review the practicality of installing POS on thousands of dispensing pumps and making petrol station owners/operators responsible |

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| | | | | | <p>outlets is financially burdensome, especially given thin dealer margins and limited internet connectivity at remote sites.</p> <p>(iii) Holding OMCs accountable for compliance at independently operated retail outlets is unreasonable.</p> <p>(iv) A precedent exists for exemption under section 236H of the Income Tax Ordinance, 2001.</p> | <p>for independently run retail outlets.</p> |
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