



INSIDE **FINANCE ACT, 2024**



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Initial Thoughts

We are grateful for your interest in reading the Inside Finance Act, 2024. This document has been meticulously prepared to present key insights and significant changes in tax laws introduced through the Finance Act, 2024. Our focus is on highlighting precise changes and identifying tax measures with potentially pervasive effects.

To the best of our knowledge and belief, the information contained herein is accurate. This document serves as a general guide, imparting knowledge and aiding in understanding the recent changes in tax laws. It is useful for clients, employees, and the general public. However, it is not exhaustive or comprehensive enough to base critical decisions upon, and we strongly recommend seeking early advice before taking any actions.

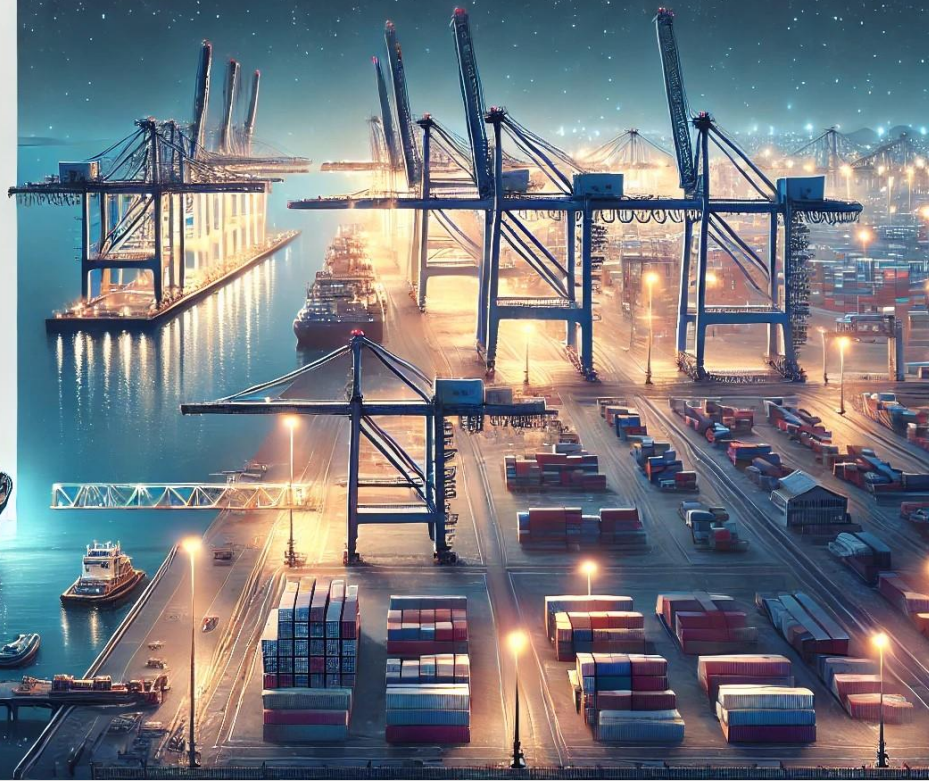
We value your feedback and encourage you to keep us updated with your thoughts and suggestions.

From Desk of Tax Advisory

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Tax Regime change for Exporters



- **The Tax regime has been changed from Final Tax Regime (FTR) to Normal Tax Regime (NTR) after 30 years.**
- **Under previous regime, exporters were not required to prepare and submit audited financial statements with annual income tax returns, now it's required under.**
- **Now exporters will pay normal tax at 29% of taxable income for companies and progressive slabs will be applied for business individual and AOPs with highest slab at 45%.**

- **The 1% withholding tax u/s 154 of the ITO, 2001 continues but nature of tax changes from final to minimum.**
- **Moreover, 1% withholding tax u/s 147 will be collected and treated as advance tax.**
- **Zero rating on supplies through export facilitation scheme 2021 has also been withdrawn from sales tax act, 1990.**

Impact

At one end, it will create culture of documentation, on the other hand, exporters might not welcome the change due to long habitual tax practices under final tax regime. Definitely, exporters enjoyed the final tax regime for a long time. Let's evaluate impact on Export proceeds of Rs. 100,000,000

Type	TAX	
	FTR	NTR (Assumed - 25% Profit margin)
Individual & AOP	1,000,000	10,340,000
Company	1,000,000	7,250,000



More Taxes on Real Estate

- The flat tax at 15% on capital gain has been introduced on properties acquired w.e.f July 01, 2024.
- The withholding tax rates have also been revised and slabs have been introduced. (You will find rates at the end of this document)
- The Federal Excise Duty (FED) at rate of 5% have also been imposed on sale/transfer of immovable properties.
- A novel tax regime whereby developers and builders will pay tax income tax on taxable profits from gross receipts of specified activities

Specified Activities	Taxable Profit	Tax Rates
construction and sale of residential, commercial or other buildings <u>(a)</u>	10% of gross receipts	Normal Business Tax Rates
development and sale of residential commercial or other plots <u>(b)</u>	15% of gross receipts	
activities as mentioned in (a) and (b) above	12% of gross receipts	

- **Taxpayer shall be entitled to take credit of this taxable profit into his wealth accretion to the extent of tax paid, in case of excess amount, tax shall be paid in accordance with normal tax rates.**

Pharmaceuticals



- Pharmaceutical sector was subject to 1% reduced sales tax with no input output adjustment, fixed tax regime. Now, the sales tax at 18% has been imposed for medicaments as are classified under chapter 30 of the first schedule of customs act, 1969.
- The Drugs registered under drugs act, 1976 will remain subject to fixed tax regime at 1%.



- A surcharge shall be payable by every individual and association of persons at the rate of ten percent of the income tax calculated as per the normal tax slabs.
- This will create more burdon on non-corporate taxpayers. This surcharge along with highest slab at 45% will give them a competitive disadvantage over corporate tax payers.
- You can calculate this surcharge through our tax calculators.

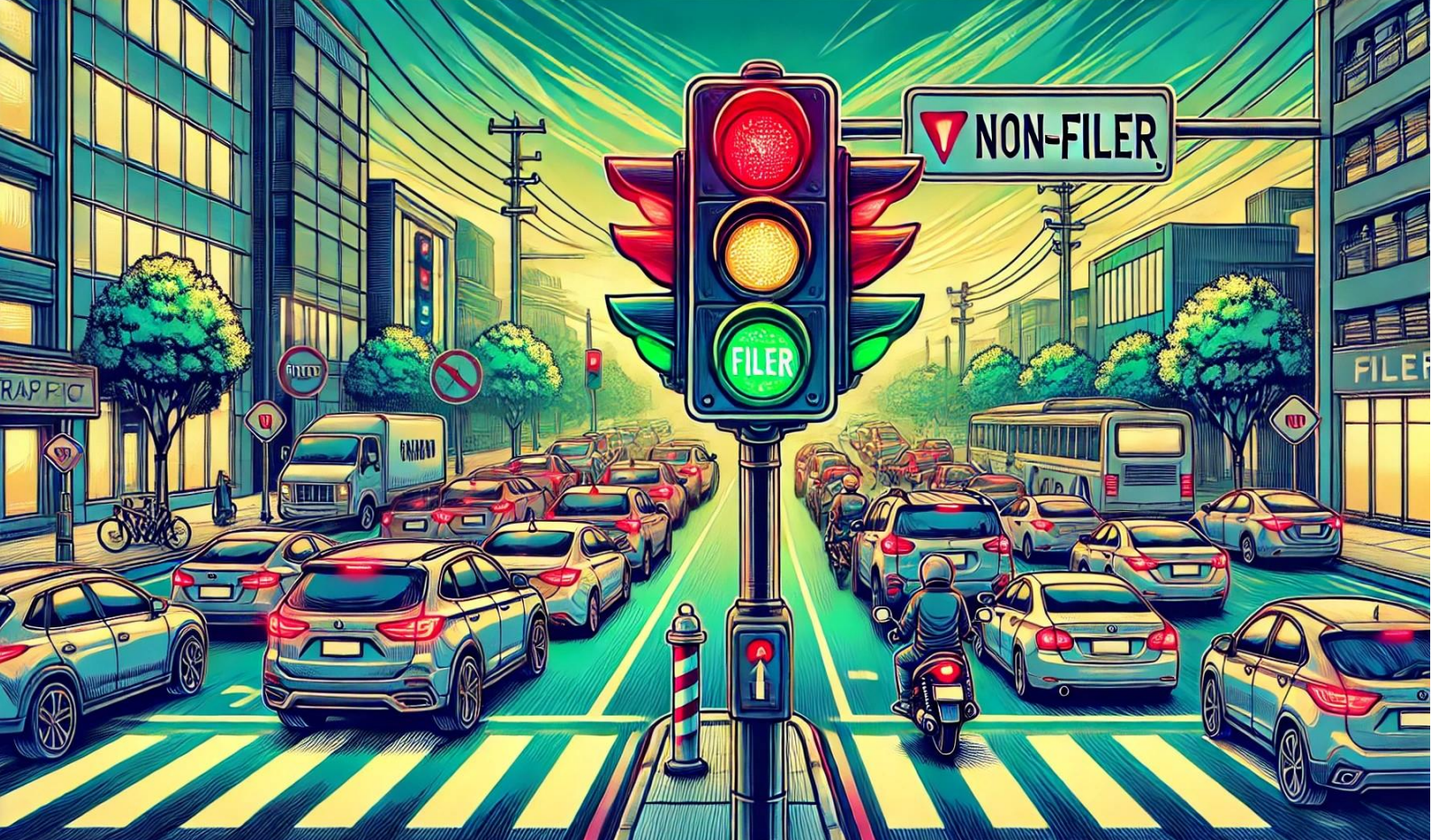


Relief of Minimum Tax for Special Economic Zone Enterprises

- The clause 11A part-IV of the second schedule to the income tax ordinance, 2001 entails exemptions from operation of section 113 (Minimum tax).
- The entities operating industrial undertakings were earlier exempted from the operation of minimum tax, then through finance act, 2022, this benefit has been withdrawn.
- Now, through Finance Act, 2024 this has been restored. The Industrial entities operating in Special Economic Zones (SEZs) are exempt from all types of taxes including minimum tax for 10 year starting from commercial production.



- Tax credit u/s 65F of the Income Tax Ordinance, 2001 has been restricted. An explanation has been inserted vide Finance Act, 2024 that the tax credit of 100% against tax payable is only be available to the income derived from the operations of coal mining projects in Sindh supplying coal to power generation projects.
- This tax credit was earlier available to the IT Start-ups.



- Many stringent actions have been introduced through Finance Act, 2024 for Non-Filer or persons not appearing in Active Taxpayers List (ATL). Some are mentioned hereunder: -
 - i. Concept of late-filer has been introduced;
 - ii. Higher withholding tax rates on transactions;
 - iii. Discontinuance of utilities;
 - iv. Restriction on foreign travel from country
- Non-filer can find tax rates applicable in our tax calculators.



- The Govt. vide Finance Act, 2024 has made some changes in Fifth schedule, Sixth schedule and Eight schedule of the Sales Tax Act, 1990. The items fall under the said schedules now have been transferred to normal procedure subject to standard rate of 18%.
- A glimpse of some important items is hereunder:

Fifth Schedule – (Zero Rated) (Items only)
Milk
Stationery items
EFS 2021 Supplies

Sixth Schedule – (Exempt Items) (Items only)
Vermicillies, sheer maal, bun and rusk
Eight Schedule – (Reduced Rated) (Items only)
Tier-1 retail items e.g. textiles were subject to 15%, now subject to 18% w.e.f July 01, 2024
LPG

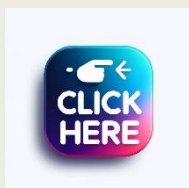
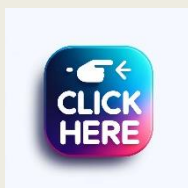


S. #	Link for calculators
1.	<u>Salary Tax Calculator 2025</u>
2.	<u>Tax Calculator for Business Individuals & AOPs -2025</u>
4.	<u>Tax Calculator -236G & 236H</u>
5.	<u>Vehicle registration tax calculator 2025</u>

Please download it and use!



You can view other publications on Budget 2024



How
Budget
2024 will
impact
real-
estate
sector?



Thank you



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For detail analysis on tax updates please visit

https://www.youtube.com/channel/UC2LggSt_6W9qzK7WLR7eFpw