

Federal Budget

HIGHLIGHTS 2023-24

Income Tax

- 01 At present, a super tax of up to **3%** is levied on individuals earning over Rs.150 million in a tax year. The budget introduces new slabs for incomes above Rs. 300 million, Rs. 400 million, Rs. 500 million, and those surpassing Rs.500 million, with respective tax rates of **4%, 6%, 8%, and 10%**.
- 02 Tax of **0.6%** is reintroduced on cash withdrawals exceeding **Rs.50,000** per day for non-filers.
- 03 Tax proposed on bonus shares at **10%** for filers, and **20%** for non-filers.
- 04 The withholding tax on international transactions made with debit/credit cards has been increased from **1%** to **5%** for filers, and from **2%** to **10%** for non-filers.
- 05 The turnover limit determining the status of Small and Medium Enterprises (SMEs) has been raised for manufacturers from **Rs. 250 million** to **Rs. 800 million**. The SME category now encompasses the IT and IT enabled services.

- 06 Tax credits offered to individuals and builders on property constructed during tax years **2024-2026**. The tax credit for individuals applies to the construction of new own house, capped at the lower of 10% of tax liability or **Rs. 1 million**. For builders, the tax credit applies to new building construction projects, capped at the lower of **10%** of tax liability or **Rs. 5 million**.
- 07 Non-resident Pakistanis are exempt from advance tax on the purchase of immovable properties, provided that the funds are remitted through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA).
- 08 Limit for foreign remittance has been raised from **Rs. 5 million** to **USD 100,000** per year. No inquiries will be made regarding the nature and source of remittances declared up to this limit.
- 09 **Exporters of IT and IT-enabled services** are no longer required to file sales tax returns for availing reduced tax rate under final tax regime.

Sales Tax

- 01 The production, transmission, and distribution of electricity have been removed from the definitions of "**Goods**" and "**Supply**". These activities, previously included under the Finance Act 2022-23, are now excluded from the federal tax regime.
- 02 Following criteria determining the status of a "**Tier-1 Retailer**" have been abolished, meaning they no longer need to integrate their Point of Sale systems with the FBR's system.
 - (i) Retailers with shop areas measuring **1000 sq. feet** or **200 sq. feet** (for furniture shops),
 - (ii) Those who trade in **jewelry** items.
- 03 The sales tax rate on supplies made by **Tier-1 Retailers** (with POS Integration) dealing in leather and textile products is set to increase from **12%** to **15%**.
- 04 Sales tax is proposed to be waived for IT related products imported by software exporters registered with the Pakistan Software Export Board.
- 05 The sales tax rate on substances registered as drugs and medicaments has been lowered from **18%** to **1%**.
- 06 The **exemption of sales tax** on the bulk sale of branded edible products (such as milk, yogurt, and red chilies, etc.) is proposed to be **withdrawn**.