

# AGN TAXPRESSO

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# CHINA

## NEW TAX POLICIES ISSUED BY CHINA TAX BUREAU

There are multiple new tax policies issued by China tax bureau in the recent months:

- Land increment value-added-tax, the General Administration of Taxation announced No. 21 of 2021
- Stamp Duty Law of the People's Republic of China, Decree of the President of the People's Republic of China No. 89
- Announcement on the deduction of relevant matters before tax for public welfare, Ministry of Finance, General Administration of Taxation Announcement No. 20 of 2021
- The Tax Law of the People's Republic of China on Urban Maintenance and Construction, effective from 1 September 2021.

Stamp Duty Law, Announcement on the deduction of relevant matters before tax for public welfare, and the Tax Law will impact most of companies in China, as it applies to company's daily operations.

# PAKISTAN

## ECONOMIC OVERVIEW AND PROPOSED CHANGES IN TAX LAWS

### RECAP - 2020

The Fiscal Year 2020 started off with several hurdles, the types of which we have never seen before. Hurdles as challenging as the breakout of the COVID-19 pandemic and the lockdown policies adopted by the entire world in order to contain the spread of this virus and varying to changes in the landscape of global politics such as the removal of autonomy of the Indian Occupied Kashmir, Crash in oil prices and the exit of the United Kingdom from the European Union.

All of the above and more specifically the COVID-19 pandemic which had brought all the economies of the world be it of first world countries or third world countries to a standstill. This paralyzing effect had economists predicting that the global economies of the world were about to face a decline even more severe than **the Great Depression of 1930s or the economic turmoil of 2008.**

Pakistan's economy was no stranger to the impacts of the above and thus resulted in a negative GDP Growth rate in the fiscal year 2020 of 0.4% and inflation rate grew to 11.2% which made many people brace for impact as the economy was predicted to take a turn for the first and perhaps even collapse if the pandemic kept ravaging.

### PAKISTAN'S ECONOMY 2021

Despite the grim outlook of the fiscal year 2020, the people of Pakistan have always been known to be resilient in the face of adversity and this was no different than the past. The table below gives a brief outlook of the economy of Pakistan during the fiscal year 2021 as compared to the previous year at a glance:

S.No	Particulars	2021 (provisional)	2020 (revised)
1.	Population	225,071,291	220,892,340
2.	GDP Growth Rate (%)	3.9	(0.5)
3.	Inflation (%)	8.6	11.2
4.	Current Account Balance (% of GDP)	+0.3	(1.7)
5.	Current Account Balance (USD Billion)	+0.959	(4.1)
6.	Interest Rate (%)	8.09	7.94
7.	Dollar Parity (PKR:\$)	155.8	164
8.	Unemployment rate (%)	5.0	4.8
9.	Government Debt (Rs. In billion)	33,724	33,235

Source: State Bank of Pakistan, Ministry of Finance and Pakistan Bureau of Statistics.

From the above illustration, it is apparent that the economy of Pakistan is slowly but surely carving its way on the "Road to Recovery", despite being wounded by the events of the fiscal year 2020.

One of the highlights of the fiscal year 2021 was the surprising turnaround in the current account deficit of Pakistan. Recovering from a deficit of USD 4.1 Billion to USD 0.959 Billion was remarkable and was a result of the policies of the Government of Pakistan towards ease of doing business, smart lockdowns and keeping the economy moving even at a slow pace and the influx of foreign remittance as a result of the “**Roshan Digital Accounts**” announced.

While the economies of the world were at a standstill, exports in Pakistan were booming and especially the textile industry of Pakistan was enjoying its benefits as the lockdown restrictions started to ease off. This favorable position of the current account of Pakistan and the booming exports had a trickledown effect on the Dollar to PKR parity as it improved from a staggering PKR 164 to 155.8.

However, despite the above, there are still some worrying signs of the economy walking on a tight rope. This is indicated by the increase in expected unemployment rate and the inflation rate still being at a high level despite the decrease from 11.2% to 8.6% eroding the purchasing power of the population of Pakistan.

The Government of Pakistan is currently in a tricky situation as they had the strategy to bring down interest rates in order to bring more inflow of money into the economy but at the same time the trade-off of this strategy was the rise of inflation as demand for goods increased. Towards the end of the fiscal year 2021, the interest rates were then increased in order to balance out this scenario and therefore inflation is expected to remain at a single digit till the fiscal year end.

### IMPORTANT CHANGES PROPOSED IN TAX LAWS

While we have provided a bird’s eye view of Pakistan’s economy, we would also like to mention a few important changes in tax laws proposed in the Federal Budget announced on

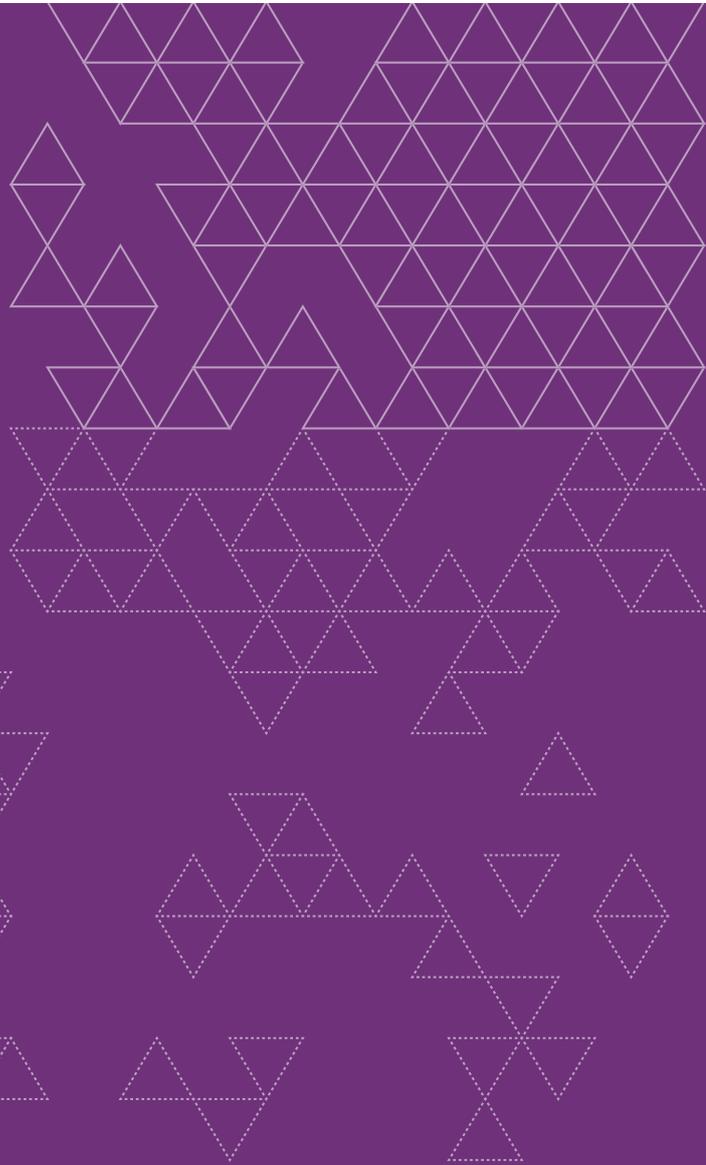
### June 11, 2021:

1. Export of services like export of goods to be taxed under final tax regime with levy of tax @ 1% for non-compliant service providers or for those who receive less than 80% export proceeds through banking channel, earlier the export of services was exempt without any condition.
2. Capital gain on immovable property (if exceeds PKR 5 Million), Interest Income (if exceeds PKR 5 Million) and Rental Income (any amount) to be taxed under normal slab rates (i.e. higher rates), earlier the same were subject to lower fixed tax rates.
3. Power proposed to be given to Officer Inland Revenue to arrest a person if evidence is available against him for concealment of income and present the person before a Special Judge appointed for this purpose.
4. Cloud computing and data storage services is now included in the definition of IT services.

### CONCLUSIVE REMARKS

This year was again a year of battling for survival and rising from the ashes. The measures taken by the Federal Government in order to cope with the COVID-19 Pandemic and handling the lockdown situation in a business friendly manner has to be applauded. Furthermore, the measures taken to boost exports, improve the current account balance of the Country and bring stability to the Dollar Parity were measures which has helped the Economy on its “Road to Recovery”. Meanwhile, some revenue measures proposed and strict monitoring by Federal Board of Revenue (FBR) including measures as strict as arrest of the person concealing income, are the need of the time and will support the Federal Government in the recovery process.

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