# *Tax Review/Taxation*

## Daily Alert Services

**Huzaima & Ikram**
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This special email service from Monday to Friday, part of subscription package, is aimed at keeping you informed about tax and fiscal matters. It contains news, legislative changes, case-law, in-depth articles and analyses covering all areas of taxes at domestic and international level. On every Saturday evening, we email weekly compilation of the entire material. Every month, ***Taxation*** in printed form, is sent through post and digital version of ***Tax Review International*** is made available for download at www.huzaimaikram.com.

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This issue contains:



Kind regards

**Mrs. Huzaima Bukhari**
*Editor*

**Lahore**
Suite No. 14, Second Floor,
Sadiq Plaza, Regal Chowk, Mall Road,
Lahore 54000 Pakistan
Ph. (+9242) 36280015 & 36365582

**Karachi**
Ms. Sadaf Bukhari
Cell: 0301-8458701

# Geoffrey Douglas Langlands

## Forever Pakistani

by
*Huzaima Bukhari & Dr. Ikramul Haq*

> *"No man can reveal to you aught but that which already lies half asleep in the dawning of your knowledge. The teacher who walks in the shadow of the temple, among his followers, gives not of his wisdom but rather of his faith and his lovingness. If he is indeed wise he does not bid you enter the house of his wisdom, but rather leads you to the threshold of your own mind"*—**Khalil Gibran,** *The Prophet*
>
> *"I think the teaching profession contributes more to the future of our society than any other single profession"*—**John Wooden**
>
> *"Teaching is not a lost art, but the regard for it is a lost tradition"*— **Jacques Barzun**

In the degenerating Pakistani society, where the majority is obsessed with gathering material riches alone, idolizing the wealthy and the powerful, disdain for teaching as a profession should not come as a surprise. Those who are unfortunate in seeking executive jobs in public and private sectors or do not have the capacity to conduct their personal business usually end up becoming teachers. Very few venture out to adopt teaching as a passion or profession of first choice. Even the near and dear ones suggest taking up teaching where they see an unemployed friend or relative thus implying that this noble profession is at the bottom of the list of desirable career paths. As a source of livelihood, teaching has no glamour, no power play, not much money, no nuisance value, no excitement, very slow promotions and at times may even become rather monotonous with the same mundane routine day in and day out.

If a doctor's, engineer's, lawyer's, accountant's or architect's job is considered challenging and tedious, its redeeming factor is the heavy monetary compensation that accompanies it but a teacher, whether school, college or university, has to rely on the paltry sum he gets as salary and make his ends meet. He feels shy to introduce himself, especially if he finds himself amid so-called successful (read rich and powerful) men even if the children of these tycoons are under his tutelage. What is more loathsome than suffering from an inferiority complex on account of one's extremely dignified source of income? In our society, where marriages are mostly arranged by parents, finding a suitable bride for a teacher son could become a difficult task as few would be willing to give their daughter's hand in marriage to a person who may not seem to have a 'promising' future.

In such a bleak scenario, anyone who by choice picks teaching as his/her occupation should be regarded as an icon since it requires tremendous courage and sincere commitment to defy the norms of a society and face the consequences of a decision many may not approve. Such persons need not only our support but also deserve our respect as well as gratitude. One such brave gentleman is 96 years old Geoffrey Douglas Langlands, who has been brought to life by a programme on a private television channel. Till this time only a few knew about him because our national media is too occupied to cover the life and achievements of an old English teacher who has dedicated himself to a good cause and to Pakistan as a country. Born in 1917 in Britain, he came in 1944 to the Indian Sub-continent during World War II and since then has remained here devoting himself to imparting and spreading education to far-flung areas—firstly in North Waziristan (1979 to 1989) and after that in Chitral where he improved upon a school that was started by the deputy commissioner, known as The Langlands School and College.

Hats off to this extremely dauntless man—his profound dedication to teaching bypassed all urban comforts and motivated him to spend many decades of his life in the tough environment of mountainous terrain in an alien land. What makes him distinguishable from others is the fact that neither language nor food or culture, obstructed his enthusiasm to educate the young ones of a community that was never exposed to modernity in terms of knowledge. He whole-heartedly embarked upon his mission to arm boys and girls with solid weapons of learning to help cultivate their tender minds and enable them to stand up to the forces of modern day civilization of which they had been hitherto unaware. Since textbooks of most of the subjects, particularly sciences are in the English language, it was essential to focus on mastering it. Who else but an English native could be more proficient in developing these skills in his pupils and Mr. Langsland had the much-needed conviction to carry out this arduous task.

Perhaps one can say that Geoffrey Douglas Langsland is a more devout Pakistani than any of us can claim. He not only opted to stay back in his adopted country but has proved his loyalty by doing something for which our own professionals may have been highly reluctant if called upon to serve in places like North Waziristan and Chitral. Some may attribute his ambitions to his life as a bachelor or a person who did not have any familial responsibilities but that would be undermining his sincere efforts to spread education. The fact is that Pakistan is in dire need of a most competent corps of teachers which can earnestly impart their knowledge to members of the younger generation and groom them into useful citizens who can contribute productively towards the betterment of their country. To achieve this end it is vital to raise the teachers' status, increase their emoluments, provide them with retirement benefits befitting an executive and improve their self-esteem so that they willingly adopt this profession and consider it as a matter of pride to be called educators.

The income tax law of Pakistan did have a provision for reduction in tax liability of certain teachers to the tune of 75% on tax pertaining to their salary income but the Finance Act of 2014 has reduced this rebate to 40% which is quite deplorable and would act as a disincentive to those aspiring to become teachers especially in government run/recognized institutes which are already suffering from acute shortage of competent instructors. This clearly goes to prove lack of commitment, unwillingness and short-sightedness of the government to broaden the education sector. The present education system which is already suffering from severe mismanagement and is fraught with unscrupulous elements desperately requires a complete overhauling and a new lease of life with fresh recruits who are fully motivated to turnaround the destiny of this country.

Meanwhile, in recognition of his services, Geoffrey Douglas Langland's desire to be knighted and endowed with the title of 'Sir' could be taken up as a cause with the government sending in a request to Her Majesty, the Queen of England for her kind consideration. It is hoped that if moved by the Pakistan Government, this request of a 96 years old veteran would not be turned down by the Queen who is known for her compassion and respect for humanity. This would also be tremendously inspiring for the comity of teachers generally the world over and particularly, in Pakistan.

## Ireland

### Commissioner Defends Irish LPT System

Irish homeowners do not have to pay the local property tax before January 1, 2014, unless they choose to do so, the Revenue Commissioner has clarified.

Addressing parliament's Joint Committee on Finance, Public Expenditure and Reform, Josephine Feehily said that her Department has offered "the widest range of payment options that we could for customers."

Property owners are able to choose from seven different payment alternatives. 24 percent of the total LPT revenue collected to date has been generated via a single debit system, while 36.7 percent of people have opted to pay with a debit card.

The Revenue Department recently began writing to the approximately 988,000 residential property owners who paid their 2013 LPT bill in one lump sum, to inform them that they must now complete a payment instruction for 2014. Concerns were raised that the Department's regulations will mean that those who decide to pay the 2014 tax by credit or debit card, or by cheque, will need to pay the amount in full, upfront, and by the end of November.

Feehily told lawmakers that "unless filing is completed in November, Revenue could not offer the options of phased payments over 12 months or 52 weeks, because these need to be set up and instructions have to issue to the employer in time."

Attempting to redress any further misgivings, Feehily explained that "the payment options operate in exactly the same way as they did earlier this year. Generally speaking, with one exception to which I will return, people seemed to understand them well and use them, if not happily – because paying any tax is unlikely to generate happiness – but without difficulty.

"I would like to emphasise to the Committee that the issues which it is suggested are causing confusion and concern to taxpayers hardly arose at all in calls to our LPT helpline in the months in April and May this year. We had no advance warning from the last campaign that these apparent misunderstandings might have existed."

Returns have now been made in respect of over 200,000 properties, equivalent to a 35 percent compliance rate at this stage.

Labor TD Brendan Ryan, who called Feehily before the committee, has urged the Government to examine the viability of introducing a tax credit for those who pay a property management fee. He suggested that the Finance Minister "look into the situation whereby people, predominantly apartment dwellers, who bought homes during the boom years and pay hefty annual management fees are also subject to the local property tax.

"There are many people in Fingal and throughout Ireland who pay Celtic Tiger mortgages on properties in negative equity and are now due to pay both the Local Property Tax and their management fees. The month of January, for people living in Apartments or managed estates can be a month of extra financial hardship as the bill for management fees can range anywhere from EUR800 [USD1,070] to over EUR1,000.

"At a time when almost everybody is tightening their belts after Christmas and planning their annual household budgets, apartment dwellers and those in managed estates, have the extra bill of management fees to cope with." – *Courtesy tax-news.com*

## Australia

### Austrian Revenue Dip Exposes Gaping Budget Deficit

Despite recent assurances to the contrary, Austria currently anticipates a budget shortfall of between EUR18bn (USD24bn) and EUR30bn by 2018, predominantly due to weaker than expected economic growth and significantly lower than predicted tax revenues.

Although the figures have yet to be officially confirmed, it now appears more than likely that plans to lower the tax burden on employees in Austria in the new legislative period will have to be put on hold. Rather than looking forward to the promised tax relief measures, Austrians are now facing the prospect of a new savings package, and increased tax burden.

The news will undoubtedly put a strain on ongoing coalition negotiations between Chancellor Faymann's Social Democrats (SPÖ) and the Austrian People's Party (ÖVP), particularly in the already tense area of budget discussions. While the ÖVP has indicated that the envisaged tax reform will have to be postponed, the SPÖ remains committed to lowering the entry rate of income tax in Austria. The tax relief would be financed by wealth-related taxes, as championed by the party throughout the election campaign.

An unlikely SPÖ ally, Red Bull Chief Dietrich Mateschitz recently emphasized that wealth taxes are "fair and legitimate" in exceptional times, insisting that it is the duty of those who are in a position to do so to contribute more. Furthermore, Mateschitz advocated that profitable companies could make a one-off contribution to the overall effort. Mateschitz nevertheless made clear that imposing a small additional fiscal burden on workers would generate much higher revenue than depriving the country's millionaires of millions.

At the end of October, Finance Minister Maria Fekter welcomed Standard and Poor's confirmation of Austria's triple A rating, insisting that the Government's "efforts to achieve a consolidated balanced budget have truly paid off."

At the time, Fekter said: "Our goal was and continues to be achieving a sustainable restructuring of the government budget. Our budget discipline, debt limit, stability package, structural reforms and aggressive measures in areas with future potential have laid the foundation for continued future stability in Austria."

Concluding, Fekter stressed that the next milestone is a zero deficit in 2016. – *Courtesy tax-news.com*

## Singapore

### Singapore Consults On FATF Regulatory Changes

Singapore's Ministry of Finance (MOF) and Accounting and Corporate Regulatory Authority (ACRA) are inviting public feedback on enhancements to the country's regulatory framework against money laundering and terrorist financing within its commitment to the revised international Financial Action Task Force (FATF) Recommendations.

They have begun a public consultation exercise, which will run from November 7 to December 6, 2013, on the draft ACRA (Amendment) Bill and key policies in the new Regulations, which will enhance the regulatory framework for corporate service providers (CSPs), and provide a transition framework to ease the transition of existing CSPs to the enhanced regulatory regime.

CSPs are defined as individuals or businesses that act for third parties as formation agent or legal person; act as a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons; provide a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; or act as a nominee shareholder for another person.

Individual CSPs would include advocates and solicitors; members of the Institute of Singapore Chartered Accountants, the Association of International Accountants (Singapore Branch) and the Institute of Company Accountants, Singapore; and members of the Singapore Association of the Institute of Chartered Secretaries and Administrators; and corporate secretarial agents.

Within, the MOF stated, Singapore's "reputation as a trusted international financial and business center with robust regulatory frameworks against money laundering and terrorist financing, (and) as a member of the FATF," the Bill's draft provisions require CSPs to register or renew their registration with ACRA; and empower the Minister of Finance to make regulations, including the terms and conditions (in line with the revised FATF recommendations) that registered CSPs have to comply with.

New Regulations will be drafted to set out details of the CSP-related provisions that are in the ACRA Act. These Regulations will elaborate on the obligations that CSPs have to comply with in order to meet the revised FATF Recommendations, particularly the customer due diligence measures that need to apply when a business relationship is being established, as well as other regulatory requirements

The MOF and ACRA will publish a summary of the comments received during the consultation period, together with their responses, by early 2014. – *Courtesy tax-news.com*

**Cars amnesty scheme declared legal**

A division bench of Islamabad High Court (IHC) on Monday suspended the verdict of a single bench of the same court that had declared amnesty scheme for smuggled vehicles as illegal.

The DB comprising Justice Riaz Ahmad Khan and Justice Noor-ul-Haq N Qureshi, passed the order in an intra-court appeal (ICA) moved by Federal Board of Revenue.

During the hearing of the ICA, the court also issued notices to the parties in this connection and deferred the hearing. It is pertinent to mention here that Justice Shaukat Aziz Siddiqui of IHC had declared the amnesty scheme as null and void on June 19. The previous PPP government had introduced the scheme by giving concession of duties and taxes on illegally imported/smuggled/seized vehicles through an SRO 172(I)/2013 dated March 5, 2013.

In his verdict, Justice Siddiqui had directed the Federal Board of Revenue (FBR) to seize all the 50,901 vehicles and auction them.

Later, FBR moved an intra court appeal (ICA) that was fixed for hearing on Monday.

The counsel for FBR, Athar Minallah advocate, contended before the court that it was not the alone amnesty scheme, but it was a fourth one of this kind in the last 20 years. The impugned judgment had said that the federal government lacked powers to issue such an SRO. The counsel maintained that out of 50,901 vehicles almost 47,000 were 10-year old and some of these were even 25-year-old. He told the court that all the vehicles were already in the country. The FBR not only levied duties and taxes on these vehicles but also imposed fine and collected Rs 15.3 billion on this account.

After hearing the arguments, the division bench suspended the verdict of the single bench and adjourned the hearing with a date in office. Earlier, the single bench of IHC, in its detailed judgment, had observed that the amnesty scheme for smuggled/seized vehicles had caused Rs 35 billion loss to the national exchequer.

The judge had also observed, “It is beyond understanding why the amnesty scheme was made applicable to the vehicles already confiscated by the Customs authorities that could have fetched far more revenue through an open auction.

Perhaps, the government officials would also desire to reap fruits of their sullied hands by taking a piece of the pie.” The court further noted that the SRO had not been framed for the welfare of the people of Pakistan; rather it had been framed by certain influential people for their own benefit and the benefit of certain privileged class.

The single bench had noted in the June 19 verdict that amnesty schemes should be abolished permanently as they are used by politicians to pursue political objectives at the cost of the rule of law. – *Courtesy The Nation*

## Goods transporters announce to end strike

The goods transporters have ended their strike after the government announced to accept their demands.

Shahid Assad, a spokesman for the Federal Board of Revenue, told Geo News that the government would now charge Rs2 per KG distribution tax instead of Rs3.

He said that the transporters were calling for reduction in the tax since oil tankers were being charged Rs2 per KG as distribution tax. – *Courtesy International The News*

## Smugglers of Afghan transit goods held at Gwadar

An incident took place on Monday at Gwadar where smugglers of Afghan transit goods, including cigarettes, started firing on customs officers, but they were arrested after an exchange of fire. Sources told here on Monday that the Model Custom Collectorate (MCC) Gwadar carrying on anti-smuggling operations against smugglers of Afghan Transit goods.

Details of the incident revealed that in pursuance of information by Chief Collector Enforcement South, Customs collectorate Gwadar's Anti-Smuggling Staff Khurkhera intercepted a couch bearing registration No BAA.919, without any passengers, fully loaded with Afghan Transit Smuggled goods like cigarettes and Gutka. The coach was escorted by a Toyota premio car No AWW.549, which opened fire on the customs. The customs staff, after exchange of heavy fire seized the pilot car and arrested two Smugglers on the spot. FIR No 11/213 has been registered. Total value of seized goods Rs 21830500, sources said.

Sources added that the MCC Gwadar has jurisdiction over 640 kms of Coastline from Gaddani to Gwadar. Its jurisdiction includes the 350 kms long border with Iran. Model Customs Collectorate

Gwadar consists of civil districts of Gwadar, Turbat, Panjgur, Lasbella and Awaran. There are also notified customs ports in the jurisdiction of the Collectorate to facilitate international trade. These ports include, Gwadar, Gaddani, Sonmiani, Ormara, Pasni and Jiwani.

The collectorate has two international airports in its jurisdiction ie Gwadar and Turbat. Besides these, there are notified land stations which include Rideeg (Mand), Border Point 250 (Jiwani) and Chidgi (Panjgur). Currently six Deputy/Assistant Collectors, one Additional Collector and Collector are posted in MCC Gwadar. – *Courtesy Business Recorder*

**Reference No: ID/PRDD/PDW-II/MME/2013/18124,**

Islamabad, the 7th November, 2013

**SECP CIRCULAR NO. 20/2013**

Subject: **Maximum Management Expense Limits for Life Insurance under Section 22(9) and 23(9) of the Insurance Ordinance, 2000.**

The Securities and Exchange commission of Pakistan (SECP) had prescribed in a phased-manner, the maximum management expense limits under Section 22(9) and Section 23(9) of the Insurance Ordinance, 2000 for life insurers through circular No. 6 of 2006 dated April 28, 2006. The SECP had further amended the above referred circular through Circular No. 7 of 2011 dated March 18, 2011 in respect of first year premium and renewal year premium for the year 2011 and 2012 applicable to the life insurers having more than ten years of business in Pakistan.

2. The SECP is pleased to prescribe the maximum management expense limits for the year 2013 to 2015. The limits are given below in respect of regular premium products for life insurers having more than ten years of business in Pakistan:

| **Item** | **Amended Maximum Limits** | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| First year premium | 102% | 96% | 90% |
| Renewal year's premium | 18% | 17% | 15% |

3. It is further clarified that:

(a) This circular is also applicable to family takaful operators.

(b) This circular is also applicable to investment contracts whether offered as unit linked products or universal life products which are generally designed to enable the insurer to have a right to vary expense charges over the term of the policy.

4. The maximum management expense limits for the year 2015 as mentioned above shall be applicable for the year 2016 and onward until any further amended limits as may be prescribed by the SECP in due course of time. All other terms of circular No. 6 shall remain the same.

5. This circular shall be effective immediately.

**No.SRB-3-4/MTP/63/2013/6332** Karachi, the 11th November, 2013

**SINDH REVENUE BOARD CIRCULAR NO. 08/2013**

Subject: **Extension in the last date for e-deposit of Sindh Sales Tax fro the tax period October, 2013 and for e-filing of tax return (From SST-03 or Form SSTW-03, as the case may be) for the tax period October, 2013.**

In exercise of the powers conferred by the provisions of section 81 of the Sindh Sales Tax on Services Act, 2011 (Sindh Act No. XII of 2011), the Sindh Revenue Board is pleased to permit the registered persons, inclduign the withholding agents within the meaning of the Sindh Sales Tax Special Procedure (Withholding) Rules, 2011, to:–

(i) e-deposit the amounts of Sindh sales tax for the tax period October, 2013, on or before Tuesday, the 19th November, 2013, in Sindh Government's head of account "B-02384" in the prescribed manner; and

(ii) e-file their tax returns (Form SST-03 or Form SSTW-03, as the case may be) fro the tax period October, 2013, on or before Friday, the 22nd November, 2013, in the prescribed manner.

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**C.No.3(9)ST-L&P/2010/151448** Islamabad, the 11th November, 2013

**The Chief Commissioners,**
**All LTUs/All RTOs.**

Subject: **Extension of the date for payment of Sales Tax/Federal Excise Duty and filing of Sales Tax/Federal Excise returns for the period October, 2013 for all registered persons.**

In view of Yuma-e-Ashura falling on 15th of November, 2013 and the weekend following immediately, the Federal Board of Revenue, in exercise of the powers conferred under section 74 of the Sales Tax Act, 1990 and section 43 of the Federal Excise Act, 2005, is pleased to extend the date of payment of Sales Tax & FED and of filing of Sales Tax/Federal Excise return upto 20th November, 2013, for the tax period October, 2013 for all registered persons.

(Fahad Ali Chaudhary)
Secretary (ST&FE-L&P)

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