

# AGN TAXPRESSO

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# NEW ZEALAND

## New Zealand Budget 2024/2025

### No surprises, no frills Budgets for 2024

Recently we have seen both New Zealand and Australia release their respective Government budgets, although as my heading suggests, it was a “let’s steady the ship”, no surprises document on both sides of the Tasman.

I suspect most of us in the tax world already appreciated, that the “pre-announced” tax cuts were in effect simply a change in the threshold bands – arguably long overdue since they have not been inflation adjusted for over a decade.

So effective from 31st July 2024 (composite rates will apply for the 2024-25 income year therefore, as for those of you who are not aware, New Zealand operates on the basis of a 31st March balance date), the new bands will be (in NZD):

- \$0 - \$15,600 (prev. \$14,000) 10.5%
- \$15,601 to \$53,500 (prev. \$48,000) 17.5%
- \$53,501 to \$78,100 (prev. \$70,000) 30%
- \$78,101 to \$180,000 33%
- Over \$180,001 39%

However, while easily said and done to simply amend the threshold bands, not so easy in practice to change the rates for consequential tax types, which include for example FBT, RWT and ESCT.

To accommodate this issue:

1. The changes to the formula used to calculate a taxpayer’s FBT liability under the attribution method will take effect from 1st April 2024.
2. The changes to RWT will apply with effect from 31st July 2024 alongside the personal income tax threshold changes.
3. Changes to other consequential tax types will apply from 1st April 2025 to avoid complexities arising from the need to calculate any composite rates or thresholds or to recalculate the rates applicable to employees. This will involve changes to the thresholds of:
  - FBT;
  - employer superannuation contribution tax;
  - retirement scheme contribution tax; and,
  - prescribed investor rate.

In addition to the threshold band changes, other income related amendments include:

- Independent earner tax credit (IETC) – a tax credit for individuals in paid work who don't receive Working for Families, main benefits or Superannuation - eligibility extended to those earning up to \$70,000 per annum (effective 31st July 2024).
- In-work tax credit (IWTC) – a tax credit for working families with dependent children - tax credit increases by up to \$50 per fortnight per family (effective 31st July 2024, however, part-year amendments would apply from 1 April 2024. These allow the old rate and new rate to be used for different periods in the 2024–25 tax year).
- Minimum family tax credit (MFTC) – a tax credit for low-income working families with dependent children (additional to the IWTC) - the MFTC increases to allow recipients to benefit from the personal income tax changes (effective 31st July 2024, however, part-year amendments would apply from 1 April 2024. These allow the old rate and new rate to be used for different periods in the 2024–25 tax year).
- FamilyBoost – for families earning under \$180,000 per annum with children in early childhood education (ECE) can claim a refund on fees – 25% of ECE fees refunded up to a maximum of \$150 per family per fortnight for families earning under \$180,000 per annum (effective 31st July 2024).

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# AUSTRALIAN

## Australian Budget 2024/2025

### Federal Budget

1. New tax rates for individuals from 1 July 2024 (Australia operates on a 30th June balance date).

The 30% and 37% tax brackets have been expanded; under \$45,000 taxable income tax rate has dropped from 19% to 16%.

Taxable Income	Tax on this income
\$0 - \$18,200	Nil
\$18,201 - \$45,000	16c for each \$1 over \$18,000
\$45,001 - \$135,000	\$4,288 plus 30c for each \$1 over \$45,000
\$135,001 - \$190,000	\$31,288 plus 37c for each \$1 over \$135,000
\$190,001	\$51,638 plus 45c for each \$1 over \$190,000

2. Foreign resident CGT changes:

Amendments will apply to CGT events commencing on or after 1 July 2025 to:

- Clarify and broaden types of assets that foreign residents are subject to CGT on.
- Amend point in time principal asset test to a 365-day testing period.
- Require foreign residents disposing of shares and other membership interests → \$20 million in value to notify the ATO, prior to the transaction being executed.
- New ATO notification process will improve compliance with foreign resident CGT withholding rules.

### Property taxes

#### *Commercial and industrial property tax*

From 1 July 2024, land transfer duty (stamp duty) on commercial and industrial property will be abolished and replaced with the commercial and industrial property tax. For properties purchased after 1 July 2024, stamp duty will be paid one final time when it is transacted, and the new annual Commercial and Industrial Property Tax will be payable 10 years after the final stamp duty payment, regardless of whether that property has transacted again. The commercial and industrial property tax will be a flat rate of 1% of the property's unimproved land value.

### *Vacant Residential Land Tax (Victoria state only)*

The current VRLT regime is a 1% tax (based on CIV) imposed in addition to land tax, any absentee (foreign) owner surcharge and the federal annual vacancy fee payable to the ATO. VRLT is imposed on residential dwellings that are not occupied for six months or more of a calendar year and applies to metro Melbourne areas. From 1 January 2025, the VRLT will apply throughout Victoria, not just metropolitan Melbourne.

A property is 'vacant' if it has not been 'used or occupied' in the preceding year for a period of more than 6 months by:

- The owner of the residential land as their PPR; or
- The owner's permitted occupant as the PPR of the occupant; or
- A natural person under a lease or short-term letting arrangement (e.g. AirBNB) provided not made for purpose of avoiding payment of the VRLT.

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# PAKISTAN

## Pakistan Budget 2024/2025

The Federal Government on June 12, 2024 announced Federal Budget for the Fiscal Year 2024 to 2025. Highlights of the Budget related to Income Tax, Sales Tax, Federal Excise Duty and Custom Duty is as follows:

### Income Tax

- New income tax rates in respect of business individual and Association of persons (AOP) to range from 15% to 45%.
- New income tax rates in respect of salaried individual to range from 5% to 35%.
- To discourage late filing of return a new concept is introduced whereby higher tax rates shall be applied in respect of persons involved in property transaction i.e. late filer which is more than filers and less than non-filers.

Tax U/s 236C on sale of immovable properties comprises into three categories as per following table;

Value on sale of property	For Filer	For Late filer	For non-filer
Up to 50 million	3%	6%	10%
From 50 million up to 100 million	4%	7%	10%
Above 100 million	5%	8%	10%

Tax U/s 236K on purchase of immovable properties comprises into three categories as per following table;

Value on purchase of property	For Filer	For Late filer	For non-filer
Up to 50 million	3%	6%	12%
From 50 million up to 100 million	3.5%	7%	16%
Above 100 million	4%	8%	20%

- Capital gain on sale of securities shall be charged at 15%, However, in case of non-filer gain on sale of securities shall not be charged as per specified slab rather the same shall be taxed at normal rate of tax with minimum rate of 15% and maximum rate of 45%.
- Dividend income from mutual funds, if funds income exceeds 50% or more from profit on debt then the tax shall be charged at 25% instead of 15%.
- Tax collected on exports proceeds shall be treat under minimum tax regime instead of final tax regime.
- To strengthening enforcement for Non-Filers penal action introduced for implementing agencies who do not block sims or discontinuation of utility connections penalty of Rs. 100 million will be imposed for first defaulter and Rs. 200 million for each subsequent default.

- To discourage non-compliance of Income Tax Law and other statutory provisions including incomplete returns rate of penalties for default has enhanced and also prosecution for the said default is being proposed.
- Facility of exemption certificate on supply of goods has been withdrawn rather reduce rate certificate can be issued by the respective authority.
- Tax rate on profit on debt for non-filer enhanced from 30% to 35%.
- For broadening of tax based, advance tax on sale to dealer, distributor and wholesaler shall be collected on all sectors. The rate of withholding tax is 0.2% for filers and 2% for non-filers. Similarly, sale to retailer the rate of withholding tax is 1% for filers and 2.5% for non-filers.
- Due to substantial increase in motor vehicle the withholding tax shall be collected on the basis of value of vehicle determined as per engine capacity which will range from 0.5% to 12%.
- Facility for certain amount of revenue in lieu of subsidy to the consumers provided by the government shall be taxed in the hand of companies.
- Reduced rate of 1% on supply of cigarettes by the distributor enhanced to 2.5%.
- Allocation of advertisement expenses of the locally incorporated subsidiary shared with non-resident on account of royalty payments restricted equal to 25%.
- Fixed rate of default surcharge @ rate of 12% has been increased to KIBOR plus 3% per annum.
- Exemption from income and withholding taxes of FATA/ PATA regions further extended up to 30 June, 2025.
- Un-adjustable losses available to Pakistan International Airlines Corporation Limited (PIACL) extended to 10 years instead of 6 years' limitation available under the law.
- Tax credit u/s 65F restricted only to income derived from coal mining operations.
- Audited accounts to be mandatory in respect of Association of Persons (AOP) whose turnover is more than 300 million or more.

## Sales Tax

- Zero rating on locally manufactured certain stationary items, exercise books and exemption on import of such items is proposed to be withdrawn and chargeable at reduced rate under Eighth Schedule.
- Supplies to exporters under export facilitation schemes is proposed to be withdrawn.
- Exemption on items such as various medical equipment, import of goods by hospital and import of fruits and vegetables from Afghanistan are proposed to be withdrawn and therefore chargeable at standard rates.
- Exemption on various items such as newsprints, proposed to be withdrawn and chargeable at reduced rate under Eighth Schedule.
- Mobile phones are proposed to be taxed at the standard rate @ 18%, except for mobile phones valued over USD 500, which will be subject to the rate of 25%.
- Enhancement of the reduced sales tax rate from 15% to 18% on supplies made by POS retailers dealing in leather and textile products.
- Implementation of a withholding of sales tax at the rate of 80% for lead, coal, paper and plastic scrap, silica, etc.
- Exemption of iron and steel scrap from sales tax is proposed to be granted.
- Phased withdrawal of the exemption granted to ex-FATA/PATA proposed.
- Empowerment of the Board to fix the value of supply for the purpose of chargeability of sales tax of goods under the Third Schedule proposed.
- Streamlining and strengthening of provisions related to tax fraud.

- Complete revamp of the mechanism to conduct sales tax audit and bringing it in line with judgements of apex Courts of Pakistan.
- Conversion of zero-rating of petroleum products to an exempt item and enhancement of petroleum levy in lieu of sales tax.
- Change of default surcharge rate from 12% to KIBOR plus 3% per annum.

### Federal Excise Act

- Fed at Rs. 15 per kg on supply of sugar to manufacturers.
- FED on commercial property and first sale of residential properties at the rate of 5%.
- FED on cement is being enhanced from Rs. 2 per kg to Rs. 3 per kg.
- FED on locally manufactured (per thousand) cigarettes increased from Rs. 9,000 to Rs. 12,500.
- FED on filter rod to be enhanced from 1500 per kg to Rs. 80,000 per kg.
- Impositions of FED on acetate tow at Rs. 44,000 and nicotine pouches at the rate of Rs. 1200 per kg.

### Customs Act

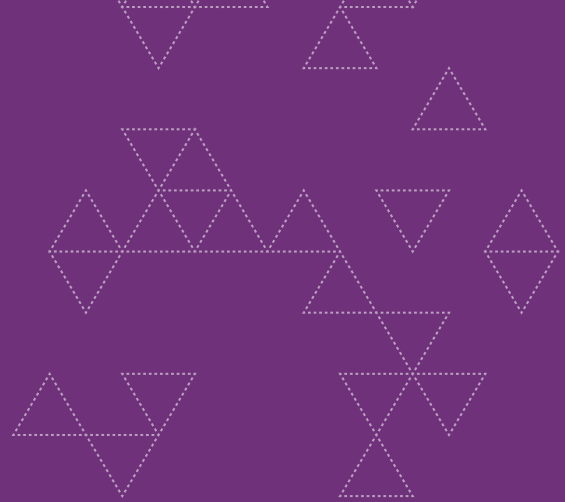
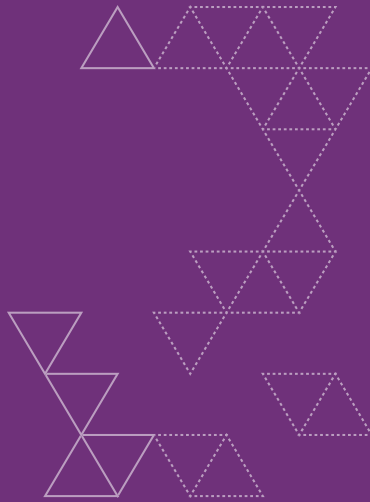
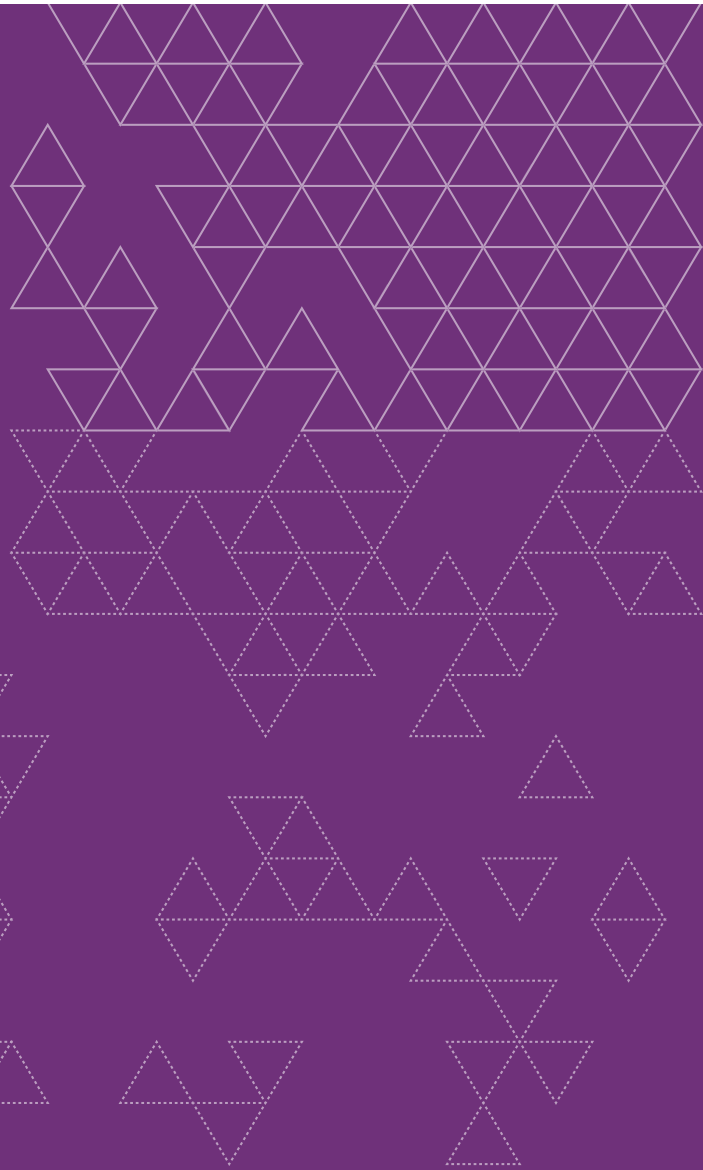
- Incentive proposed for manufacturing of Solar Panels and Allied Equipment.
- Withdrawal of concessions of duties on import of Hybrid vehicle.
- Reduction in concession of customs duties on import of Electric Vehicles having value above US\$ 50,000.
- Establishment of Directorate General of National Targeting Centre (NTC), as a national single window of enforcement for all Law Enforcement Agencies (LEAs) and Directorate General of Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.
- New penal clauses are proposed to take cognizance of offences related to nuclear and radioactive material.
- Intelligence Bureau added in the list of Government agencies mandated to assist Customs in investigations.
- Penal provisions are proposed, for the importers seeking clearance of declared confiscated goods, for a police officer who having seized goods fails to deliver such goods to custom house, for smugglers and miscreants attacking customs personnel and for illegal removal and pilferage of smuggled goods liable to confiscation placed in the custody of owner.
- Provisions are proposed with the objective of making the system more efficient by accelerating the disposal of pending cases in the Customs Appellate Tribunal.

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