Reference #JIL/MoITT-PM-Fin/Budget/06-14/24
Dated: June 14, 2024

Ms. Shaza Fatima Khawaja,
Minister of State,
Ministry of Information Technology & Telecommunications,
Govt. of Pakistan, Islamabad.

Subject: **Proposals w.r.t. IT & Telecom in Finance Bill 2024-25 will destroy the Industry and GoP vision of "Digital Pakistan" and irrevocably damage the Economy**

Honorable Minister!

This is in reference to the proposals for IT and Telecom sector in the Finance Bill 2024-25. We have the following concerns that are of urgent importance and required immediate consideration:

1. *Pakistan's economy is dependent on the Telecom sector for connectivity. Please note that Telecom sector is already struggling with two major foreign investors in cellular and one in fixed also leaving Pakistan.*
2. *Tax measures like 75% advance tax collection for non-filers from the telecom customers are technically impractical and non-workable leading to revenue losses for the sector and Government.*
3. *Penalizing the Telecom sector for non-compliance with the ITGO by FBR is a travesty of justice as CMOs are enablers of the ITGO and not the principal parties in dispute with the tax authorities. Penalties for non-compliance ranging from 100 million PKR to 200 million PKR every fortnight, reflect FBR's inability to enforce tax filing on its own.*
4. *Increasing rate of sales tax on mobile phone sets of value up to US$ 500 will destroy digital penetration in lower income groups and severely compromise any dream of a Digital Pakistan*

All essential services including the Banking sector, ATMs, Credit Cards, E-commerce, Passport Control, Security Institutions, National Data Base, E-commerce, Digital applications etc., are connected and governed through the Internet bandwidth and services provided by Telcos.

If the sector is burdened with unnecessary additional tax collection measures, frivolous legal disputes will arise **which unfortunately may lead to the final exit of all foreign direct investment in the Telecom sector in Pakistan.**

The details of impracticality of such measures are described in Annexure-A to this letter.

Your urgent attention is required to reverse such draconian and punitive measures accordingly.

Yours sincerely,

Aamir Ibrahim
CEO Jazz

Hatem Bamatraf
CEO PTCL Group

Khurram Ashfaque
CEO Telenor Pakistan

Cc to

1. Honorable Prime Minister of Pakistan – Mr. Mian Muhammad Shehbaz Sharif
2. Honorable Federal Finance Minister – Mr. Muhammad Aurangzeb
3. Honorable Minister for EAD – Mr. Ahad Cheema
4. Honorable Chairman PTA – Major General (Retd.) Muhammad Hafeez ur Rehman
5. Honorable Secretary Ministry of Finance – Mr. Imdad Ullah Bosal
6. Honorable Add Secretary I/C for IT & Telecom - Capt. (retd.) Muhammad Mahmood Rai
7. Honorable Secretary SIFC – Mr. Jameel Qureshi

Annexure -A

Impact and Impracticality of proposed fiscal measures in Finance Bill 2024-25.

1. **Advance Tax collection on Mobile services to Non-filers**

   At present, non-filers are subjected to higher tax rates to make their cost of doing business higher as well as to compel them to file their returns. Federal Board of Revenue (FBR) has proposed 75% W.H.T tax for late filers. Please note that Telecom operators do not have any system provisioning to cater for this new development as currently at large W.H.T is charged 15% across all individuals irrespective of filer or non-filer. In the light of recent Income Tax General Order 1 of 2024 where government has directed to block sims, first line of defense will be to charge 75% W.H.T and then proceed towards blocking of sims and disconnection of their utility connections. Furthermore, it is proposed to ban travel of individuals which will be communicated by FBR. The telecom infrastructure is not equipped to handle multiple tax rates, leading to operational inefficiencies and increased consumer costs.

2. **Penalizing the enablers of the Income Tax General Orders**

   In case of the Income Tax General Order, where implementing agencies do not block SIMS or mobile phones or fail to disconnect utility connections or comply with the newly introduced bar on foreign travel, a penalty of Rs.100 million will be imposed upon the implementing agency for first default and Rs.200 million for each subsequent default. Penalties and prosecutions are proposed for entities failing to fully disclose relevant particulars or submitting incomplete information in their tax returns or failure to file return on discontinuation of their business. They cannot and must not be imposed to penalize compliant taxpayers who are mere instruments in enabling the FBR to achieve its compliance targets.

   Such punitive measures will only breed more litigation in the courts and ultimately compromise any objective of increasing the tax to GDP ratio. We recommend collaborative efforts to raise tax compliance awareness and a gradual implementation of new policies.

3. **Imposition of Sales tax at 18% on handsets below 500USD & @ 25% on more than 500USD**

   Imposing an 18% sales tax on handsets below $500 will impede broadband penetration and digitalization in Pakistan. Affordable mobile handsets are crucial for increasing digital access, especially in a country where mobile phones are the primary means of accessing the internet for a large portion of the population. A significant tax hike on these handsets will make them less affordable, particularly for low-income households, thereby limiting their ability to access digital services. This could slow down the adoption of digital technologies and services, further widening the digital divide and the gender gap therein. In contrast, countries with higher digital penetration rates, such as South Korea (96%) and the United States (89%), have made significant strides in ensuring affordable access to digital devices and services. To foster digital inclusion and economic growth, it is essential to keep entry-level handsets affordable for the wider population in Pakistan.