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Crowe Dialogue: **Combating COVID 19 Scenario**

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Welcome
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Crowe Dialogue – Combating COVID 19 Scenario

1. Measures taken by the State through:

SECP	SBP
FBR	PRA

2. Measures to Boost up the Overall Economy

3. How businesses are strategizing

Human Resource	Supply Chain	Customer Acquisition	Sales	Process Automation
Receivables	Payables	Cash Management	Internal Controls	Financial Statements

Securities and Exchange Commission of Pakistan

SECP – Relaxation due to COVID-19

1. Dec closing companies can hold **AGM** by **May 29, 2020** due to 30 days extension. [\(Circular No 6 of 2020\)](#)
2. Companies whose election are due may file impediment report citing the reason for **delay in holding election of directors**. [\(Circular No 6 of 2020\)](#)
3. 30 days extension of holding AGM to listed companies. [\(Circular 10 of 2020\)](#)
4. Companies can circulate the notices of general meetings and annual reports to the members electronically via post, email address, WhatsApp number etc. [\(Circular 10 of 2020\)](#)
5. NBFCs empowered to defer principal payment by one year, if borrower requests before 30 June 2020. [\(Circular No 9 of 2020\)](#)
6. 30 days extension to file any **statutory return** due to lockdown. [\(Circular No 6 of 2020\)](#)
7. Companies can request via email **extension in filing of March end quarter accounts**. [\(Circular 10 of 2020\)](#)
8. 30 days response time for SECP notices. [\(Circular 13/2020 dated 14 April 2020\)](#)

State Bank of Pakistan

SBP Relief for Households and Businesses

1. Policy rate **9%**
2. Debt Burden Ratio for individuals increased from 50% to **60%**. [\(BPRD Circular No.14 \)](#)
3. Principal payment may be deferred by **1 year**. No impact on credit history. [\(BPRD Circular No.14 \)](#)
4. Regulatory criteria for restructuring loans relaxed **till 31 March 2021**. [\(BPRD Circular No.14 \)](#)
5. Borrowing limit for **SME** increased from 125 m to **180 m**. [\(BPRD Circular No.12 \)](#)
6. Restructuring of Loans within **180 days of due date** will not be a default. [\(BPRD Circular No.14 \)](#)
7. Margin Financing **20%** and Margin Call **10%** [\(BPRD Circular No.13 \)](#)
8. Borrowing against **group companies shares** allowed. [\(BPRD Circular No.13 \)](#)

SBP Salaries & Wages Refinancing Scheme

Validity

30th June 2020

Pay back 8 qtly starting

Jan 2021

Markup

ATL 4%

Others 5%

Maximum Financing Limit: Maximum financing limit of a borrower under this scheme will be determined in the following manner:

Category	Wage Bill for 3 months	Loan Limit	Maximum Loan Limit
(1)	(2)	(3)	(4)
A	Less than or equal to Rs. 200 million	100% of actual 3 months wage bill	Rs. 200 million
B	More than Rs. 200 million and less than or equal to Rs. 500 million	Rs. 200 million or 75% of 3 months wage bill, whichever is higher	Rs. 375 million
C	More than Rs. 500 million	Rs. 375 million or 50% of actual 3 months wage bill, whichever is higher	Rs. 500 million

SBP Refinance Facility for Combating COVID-19

- i. **Scope & Eligibility Criteria:** Long term finance facility for purchase of new imported and locally manufactured medical equipment to be used for combating COVID-19. All hospitals and medical centers registered with respective provincial/federal agencies/commissions engaged in controlling and eradication of COVID-19 will be eligible under the facility.
- ii. **Maximum financing limit:** Rs.200 Million (per Hospital/Medical Centre)
- iii. **Tenor:** 5 years including grace period of up to 6 months
- iv. **Civil Work:** Up to 60% cost of civil works for setting up of isolation wards only
- v. **End User Rate:** Maximum 3% per annum (SBP rate of refinance will be 0%)
- vi. **Repayment:** Quarterly/ half-yearly
- vii. **Validity of the facility:** 30th September, 2020

[\(IH & SMEFD Circular No.3\)](#)

SBP Temporary Economic Refinance Facility

- i. **Scope & Eligibility Criteria:** Long term finance facility for purchase of new imported and locally manufactured plant & machinery for setting of new projects
- ii. **Maximum limit:** Rs. 5 billion per project
- iii. **Tenor:** 10 years including grace period up to 2 years
- iv. **End User Rate:** Maximum 7% p.a. (SBP rate of refinance will be 3%)
- v. **Repayment of finance:** Quarterly/ half-yearly basis
- vi. **Validity of the facility:** LCs/ILCs established from the date of announcement of the scheme till 31st March, 2021 will be eligible for the TERF

Federal Board of Revenue – Measures to Combat the Covid-19 Crisis

FBR - Measures to Combat the Covid-19 Crisis

Deductible Allowance on Donation to the 'PM COVID-19 Pandemic Relief Fund-2020'

- Straight Deduction from total income on donation paid to 'PM COVID-19 Pandemic Relief Fund-2020' under Clause 61 of Second Schedule to the ITO, 2001



Exemptions from the Following Taxes on Import of Medical and Diagnostic Support Items to Combat COVID-19

- Customs Duty
- Regulatory Duty
- Additional Customs Duty
- Advance Income Tax on import stage
- Sales Tax



FBR - Measures to Combat the Covid-19 Crisis

Reduced Rate of Withholding Tax @ 1.5% till June 30, 2020

Reduced rate of withholding tax @ 1.5% for non-corporate recipient of payment for goods supplied to Utility Stores Corporation of Pakistan on the following Items:



Excluding:

- tea, spices, salt and dry milk sold under a brand name



Protection from Tax Collection at Import Stage for a Person Importing Pulses till June 30, 2020



FBR - Measures to Combat the Covid-19 Crisis

Speedy Refunds to Exporters

- FASTER (Fully Automated Sales Tax e-Refund) system developed for quick processing of refunds due to exporters
- Refund Claims amounting to **Rs. 59 Billion** filed with FBR
- **Rs. 56 Billion** Refund Claims Sanctioned by FBR through FASTER



Source: FBR Press Release

Punjab Revenue Authority – Measures to Combat the Covid-19 Crisis

PRA - Measures to Combat the Covid-19 Crisis

1. 0% **Sales Tax on Services** on the following Businesses without Input Tax Adjustment;



Hotels, motels, guest houses, marriage halls



Information technology based services



Construction services



Property dealers



Car/automobile dealers



Insurance services



Textile & leather treatment services



House management services



Tour operators



Consultants like HR services, valuation services



Rent-a-car



Health care, gym, physical fitness, etc.



Cable TV operators



Personal care



Medical consultation

2. Punjab Infrastructure Development Cess has been exempted. It was previously being charged at the rate of 0.9%.

Federal Government – Measures to Boost up the Overall Economy

Measures to Boost up the Overall Economy

TAX INCENTIVES FOR CONSTRUCTION & REAL ESTATE SECTORS

Eligibility

Builders & developers working as a:

- Company
- AOP
- Individual

Exclusions:

- Holder of public office
- A public listed company
- REIT
- Proceeds from criminal offence including money laundering & terror financing excluding tax evasion

Timelines

Projects opting-in under this scheme must be:

- set up before December 31, 2020; and
- completed before September 30, 2022 (for both new and existing incomplete projects)

Certification Requirement

Builders would provide completion certificate for the grey structure of the project to FBR from:

- Map Approving Authority or
- NESPAK.

Developers would provide completion certificate for landscaping of the project to FBR from:

- Map Approving Authority or NESPAK; and
- QCR Rated CA Firm that 50% plots are booked or 40% sale proceeds are received
- At least 50% of the roads have been laid up

Measures to Boost up the Overall Economy

TAX INCENTIVES FOR CONSTRUCTION & REAL ESTATE SECTORS

Protection from Probe into Source

- Amount invested as capital or land
- Amount utilized in a construction or development project
- First purchaser of newly constructed buildings
- Purchaser of a Plot for the Purpose of Construction

Protection from Withholding Tax

Builders or developers shall not be required to withhold tax:

- on purchase of building material **except steel and cement**
- on services of plumbing, electrification, shuttering and other similar and allied services **other than those provided by companies**

Exempted Capital Gain

Tax exemption on capital gains derived from the sale of constructed **residential property** if:

- the property was being used for personal accommodation by the individual
- the land area of the property does not exceed:
 - ✓ 500 sq. yards for house
 - ✓ 4000 square feet for flat
- exemption under this clause not availed previously

Measures to Boost up the Overall Economy

Protection from Probe into Source for an Individual

- **Cash Investment** - money is deposited in a new bank account on or before 31st December, 2020
- **Investment of Land** - must have ownership title of the land at the time of promulgation of this amendment
- **Commencement & Completion** - project must commence by 31st December, 2020 and get completed by 30th September, 2022



Measures to Boost up the Overall Economy

Protection from Probe into Source for a Company / AOP

- **Setting up** a new single object entity before 31st December, 2020
- **Capital Investment in the form of Money** shall be transferred to a new bank account by 31st December, 2020
- **Capital Investment in the form of Land** shall be transferred by 31st December, 2020



Measures to Boost up the Overall Economy

Protection from Probe into Source for 1st Purchaser of Building

New or Existing Incomplete Project - full payment is made through a crossed banking instrument from the date of registration of the project with the Board till 30th September, 2022.



Measures to Boost up the Overall Economy

Protection from Probe into Source for the Purchaser of a Plot for the Purpose of Construction

- The full payment is made through a crossed banking instrument by 31st Dec, 2020
- Construction on such plot is commenced by 31st December, 2020 and completed by 30th September, 2022



Measures to Boost up the Overall Economy

TAX INCENTIVES FOR CONSTRUCTION & REAL ESTATE SECTORS

INCORPORATING OF PROFITS AND GAINS UNDER THE SCHEME

Profits and gains shall be incorporated in the books of accounts not more than ten times the amount of tax paid under this scheme

In case profits and gains are more than ten times, the excess amount shall be chargeable to tax at the normal slab rates

Such profit share and dividend shall be exempt in the hands of the recipient

Measures to Boost up the Overall Economy

RATE AND COMPUTATION OF TAX LIABILITY ON BUILDERS

	Area	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Other Urban Areas Not Specified
	Area In Sq. Ft	Rate Per Square Foot		
For Commercial Buildings	Any Size	Rs. 250	Rs. 230	Rs. 210
For Residential Buildings	Upto 3000	Rs. 80	Rs. 65	Rs. 50
	3000 & Above	Rs. 125	Rs. 110	Rs. 100

Measures to Boost up the Overall Economy

RATE AND COMPUTATION OF TAX LIABILITY ON DEVELOPERS

	Area	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Other Urban Areas Not Specified
	Area In Sq. Yds.	Rate Per Square Yds.		
Entire Project	Any Size	Rs. 150	Rs. 130	Rs. 100
For Development of Industrial Area	Any Size	Rs. 20	Rs. 20	Rs. 10

Crowe Dialogue

How businesses are strategizing

Human Resource	Supply Chain	Customer Acquisition	Sales	Process Automation
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