

Economy

Tax Law Amendment Bill: Government to Impose Restrictions for Non-Filers

- As per newsprint media, The Government introduced a Tax Law Amendment Bill in National Assembly (NA) on 18-Dec-2024. Under the proposed Bill the Government plans to impose restrictions on non-filers. The Speaker referred the Bill to Standing Committee on Finance and Revenue for further deliberation. These changes will be effective once the Government officially issues a notification in this regard.
- The Bill prohibits non-filers from purchase, booking, and registration of vehicles over 800cc, acquiring or selling immovable property beyond a certain threshold, restriction on number of banking transactions and making stock purchases above specified limit.
- Government is putting efforts to impose restrictions on non-filers to expand tax base and achieve tax to GDP target of 13%. In our view, restriction on purchase and registration of vehicles above 800cc is likely to have negative impact on sale of new cars. Restriction on immovable property will further reduce liquidity in real estate. Stock market is likely to perceive the restriction on securities negatively until further clarity on implementation of these measures.

New Restrictions for non-filers tabled in National Assembly

As per newsprint media, The Government introduced a Tax Law Amendment Bill in National Assembly (NA) on 18-Dec-2024. Under the proposed Bill the Government plans to impose restrictions on non-filers prohibiting them from purchase, booking and registration of vehicles over 800cc, acquiring or selling immovable property beyond a certain threshold, restriction on number of banking transactions and making stock purchases over and above specified limit.

The Speaker referred the Bill to Standing Committee on Finance and Revenue for further deliberation. These changes will be effective once the Government officially issues a notification. Key proposals under the Bill are as follows:

Booking/Purchase/Registration of Motor Vehicle: Any application for booking, purchasing, or registering a motor vehicle by a non-filer will not be accepted or processed by any vehicle manufacturer or the Excise and Taxation Department. However, non-filers will still be allowed to purchase motorcycles, rickshaws, and tractors.

Analyst

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Immoveable Property: Any application or request from someone who is non-filer, for registering, recording, or verifying the transfer of any property worth more than a certain amount set by the Board each year, will not be accepted or processed by the responsible authority. The Government will have the authority to seize the property and business of non-registered individuals involved in business and bar transfer of property.

Sale of Securities: No one who is authorized to sell securities, including debt securities or mutual fund units, can sell, open an account, or process transactions for a non-filer, whether that person is an individual or a group.

Banking Transactions: The Bill also proposes to limit the number of banking transactions by non-filer above a certain threshold along with restriction on account opening. The Bill empowers direct bank companies, scheduled banks and other financial institutions, to stop operation of the bank account of any unregistered person. Non-registered business owners' bank account will be frozen and upon registration the bar shall be removed no later than 2 working days.

The Tax Law Amendment bill also proposed that an "eligible person" is someone who has filed an income tax return for the year before the transaction and has enough resources listed in their wealth statement (for individuals) or financial statement (for companies or groups) to support that transaction. Additionally, for individuals, their immediate family members are also considered eligible. For an individual, "family" includes their parents, spouse, son (under 25 years old), unmarried, widowed, or divorced daughter, and a special needs child who has a long-term physical, mental, intellectual, or sensory impairment that may make it difficult for them to fully participate in society like everyone else.

Outlook: Governments is putting efforts to impose restrictions on non-filers to expand tax base and achieve tax to GDP target of 13%. In our view, restriction on purchase and registration of vehicles above 800cc is likely to have negative impact on sale of new cars. Restriction on immoveable property will further reduce liquidity in real estate. Stock market is likely to perceive the restriction on securities negatively until further clarity on implementation of these measures.

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