



# CPA NEWSLETTER

## How to Control Ego, the False I, Me and Self

Ego is the important part of our devilish mind and every human being has it although the levels vary from person to person. When a child is born, he is ego less and is only aware of the mother. The moment mother loves the child and through her facial expressions conveys love and pampering, the child feels good and the ego is born. As we grow in life, the undeterred success, money, political power, beauty, physical superiority, and glamour raise our ego levels and overnight it shifts from meager I, me, and self to greatest heights. Coming down from here becomes absolutely difficult. It then becomes part of our life style.

It is said that the Stone Age gave flip to human ego by boosting moral and acted as a defense mechanism to ensure survival. As humans became more "civilized" so the ego also extended itself. Certain amount of ego is necessary for our evolution, growth and developing a sense of pride. Ego at times appears also genetic and an outcome of our past karma. Kenneth Blanchard in his latest book, 'Everyone's a Coach' defines ego as "Edging God out." It means whatever we do, our opinions, our thought process, our approach is only right and must be accepted, a role which

perhaps only God is perfect to handle.

Most of us are unaware of what

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ego is and how it affects our mind. It is common to call someone egoistic if he/she is found bragging. 'I did this and I did that' etc. But ego has a vast manifestation and lies dormant in our mind and shows its ugly face as we grow in life. It manifests through traits such as: - Inflexibility, rigidity, uncompromising, one-upmanship, un-bothered, uncaring, arrogance, and selfish etc. As we go on in life, these become important characteristics of our personality dynamics. Slowly life becomes hell whenever there is a U turn. Most turn mental wrecks because they would not lower their ego levels and thus become loners. Look at most film stars, TV actors, re-

puted models, rich business men etc. Ego has become an important part of their life style and glamour because of their success. Egoistic have great difficulty in maintaining and developing relationships, team working, extending and receiving cooperation. They always feel they are right. Their ego does not allow them to accept mistakes or tender apologies. At times with advancing age and also due to failures in life, the ego levels may be forced to come down. Loving yourself is good but thinking that you are the best is not at all healthy. Remember there is a very thin line between 'pride and ego.' The former helps and motivates the latter leads to downfall and ultimate destruction.

## ICPAP

### Special points of interest:

- > ICPAP has appointed new Regional Coordinators in UK, Saudi Arabia & Pakistan.
- > ICPAP is seeking New Regional Coordinators
- > ICPAP Liaison Office is changed.
- > ICPAP new syllabus will be implemented by the first week of January-2011

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**HAPPY NEW YEAR**

## IMPLEMENTATION OF REFORMED GST IN PAKISTAN

### By: ICPAP

Pakistan is in dire need of increasing its tax revenues by implementing a broad-based modern form of sales tax on goods and services. The Sales Tax Act, 1990, was originally designed on the basis of accepted value added taxation doctrines but due to political compromises and revenue exigencies, it increasingly became distorted and narrow-based because of ever-expanding exemptions, special regimes, multiplicity of rates and several other deviations from international best concepts and practices. Resultantly, not only the tax base of sales tax and income tax has been eroded but also lack of documentation of the national economy has proved a big hindrance in the development of effective tax policy options.

2. Under the existing constitutional framework, the Federal government can impose taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed. The Federal government has been levying excise duty on services. After passage of the 18<sup>th</sup> Constitutional Amendment, taxation of services now wholly falls within the domain of Provincial governments.

3. Presently, apart from **sales tax** on the supply and import of goods, **Federal excise duty** is chargeable on communication (including telecom) services, certain categories of advertisements, insurance services other than life, marine, health and crop, banking services, franchise services and services provided by property developers/promoters, stockbrokers and port/terminal operators. Besides, **Provincial sales tax** is chargeable on services provided by hotels/clubs/caterers, custom agents, ship chandlers and stevedores, courier services and advertisements on TV & radio. Except franchise services, Federal excise duty and Provincial sales tax on all the aforesaid services is being collected under GST mode with backward and forward cross-crediting (inter-tax adjustment) with Federal sales tax.

4. Tax-to-GDP ratio on account of the said sales taxes has stagnated on lower side although internationally, the standard rate of 17 percent sounds on higher side. The principal reason of lower tax to GDP ratio of sales taxes has been widespread and unbridled concessions and waivers on both local supply and import stages including zero-rating on several catego-

ries of domestic supplies, besides non-coverage of the services sector in general.

5. The consultations with tax professional circles have over the passage of time convinced that there is an overdue need to thoroughly reform and revamp the whole existing sales tax system to bring it closer to international standards. The new GST system will change the mindset of the public at large as well as of the tax machinery and will strengthen government's efforts to formally depart from excise-style of sales taxation on goods and services.

6. The GST Bill, 2010 will replace the present Sales Tax Act, 1990. While the issues of collection and administration of sales tax on services are being separately negotiated with the Provinces in the light of recent NFC award, a provision has been included in the Federal Bill to integrate Provincial sales tax on services with the Federal sales tax on goods as and when the Provinces authorize FBR to collect and administer sales tax on services.

7. Under the new GST law, exemptions have been kept intact in respect of basic food items including wheat, rice, pulses, vegetables, fruits, live animals, meat and poultry etc. Edible oil chargeable to Federal excise duty will remain exempt from GST as before. Exemptions earlier available for philanthropic, charitable, educational, health or scientific research purposes or under international commitments/agreements including grants-in-aid will also continue. Moreover, life saving drugs, books and other printed materials including newspapers and periodicals have been kept exempt.

8. Local consumption of sectors like textile (including carpets), leather, surgical and sports goods has however, been subjected to tax. Similarly, defence stores, stationary items, dairy products, pharmaceuticals (other than lifesaving), agricultural inputs, agricultural machinery and implements, aviation/navigation equipments including ships & aircrafts etc. have also been proposed to be taxed. Acquisition of capital goods will be facilitated through expeditious adjustment/refund of input tax involved therein.

9. GST will be chargeable only on value added component of each stage of the supply chain. Due to the provision for **set-off** of the tax paid at earlier stages in the chain, net tax

incidence remains as a **single stage levy**. Due to automatic input tax adjustment facility, businesses are attracted towards voluntary registration so that they may avail such adjustments and improve their cash flows. For this reason, GST always promotes documentation and encourages self-compliance.

10. Other salient features of the new GST system are as follows.

- ✦ GST will replace the existing regimes of sales tax and excises on services.

- ✦ GST will apply on both at import and local supply stages.

- ✦ Standard rate of 15% has been proposed instead of the present rate of 17% or multiple other rates going upto 25%.

- ✦ There shall be no fixed tax, reduced tax, enhanced tax, retail price-based tax or special tax scheme under the new GST system.

- ✦ A uniform enhanced annual exemption threshold of Rs.7.5 million (which is presently Rs. 5 million) shall be applied to keep small businesses including small traders/retailers/cottage industry out of mandatory tax compliance.

- ✦ All exports shall be zero-rated.

- ✦ Input tax adjustment of both direct and indirect constituents shall be allowed on "totals" basis (excluding entertainment and non-business use passenger vehicles).

- ✦ Sales tax on goods and services where so authorized by the Provinces shall be mutually adjustable so that double taxation does not occur.

- ✦ No general zero-rating shall be admissible on any commercial form of domestic supply or on any local consumption.

- ✦ The GST system will work purely on "self-assessment and self-policing" basis.

- ✦ Cash flow of businesses shall be facilitated through expeditious centralized (**Electronic**) refund payment system.

- ✦ Tax compliance shall be encouraged through transparent and fair audit system with increased use of modern information technology.

- ✦ Adjudication, appeal and alternative dispute resolution (ADR) systems have been provided as before.

- ✦ FBR will issue simplified rules to regulate the GST procedures and processes.

- ✦ The GST Bill 2010 shall take effect from such

date as may be notified by the Federal government.

The new GST system will be applied in FATA/PATA, the Province of Gilgit-Baltistan and AJ&K in due course.

11. The proposed GST system will certainly not generate any sudden increase in revenue yield. It will however, increase the overall tax-to-GDP ratio from the present below 10% to about 12% in next 3-5 years. Pakistan has a strong potential to implement such value added tax type sales tax because of the reason that

besides having a properly-reformed collection infrastructure, it has a long-operating sales tax system and substantial hidden sales taxation on inputs of exempt outputs (exempt supplies are input taxed) is already being borne in the aggregate national consumption.

12. The proposed GST system is expected to operate without any serious inflationary impact. It will rather promote economic equity and enable the country to direct national resources towards more productive goals of

national development. Reformed GST is also likely to progressively minimize the grey component of the national economy and facilitate fair income redistribution. It will eventually cast healthy impact on income tax receipts and enhance fool-proof tax culture in the country.



## Communication As Major Success Factor

By **Shahid Nadeem CPA**

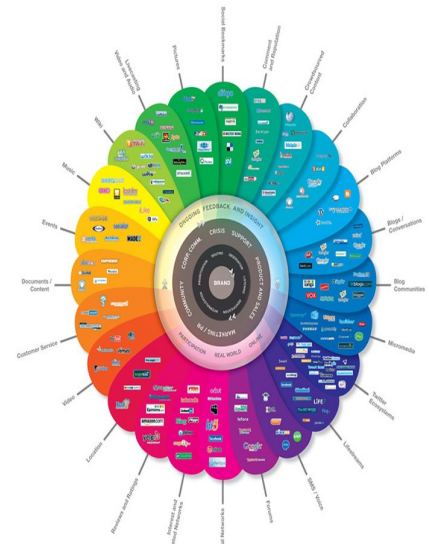
In the past accountants were perceived as Munshis whose role was limited to two plus two but in the last two decades there has been a major shift accountants have emerged as Business Managers, the roll of Professional accountants has evolved to facilitate management in business decision making. The main focus of accountants of 21<sup>st</sup> Century to look for the future challenges to enrich managements with their experiences and words of wisdom by using effective communication skill. You have note that in the world of instant communication and ever changing business models, the traditional task of the Accountant is evolving. There are increased governance requirements, more regulations, more emphasis on documenta-

tion, more intervention from governments and limited opportunity for expanding business.

It would be interesting to share with you a study carried out by the Financial and Management Accounting Committee of IFAC in January 2002 to foresee the role of Professional accountant in 2010. John Connors, CFO of Microsoft said people will have access to information in a way they have never had in the past. Professional Accountants will have to get more coaching in communications skills. One of the most important features of a future Accountant is to stay connected to the world. The need for the future is to gain exposure and experience in different businesses and industries, technology, standardization of data, managing external relationships and developing

human resources and some of the key factors which professional accountants must focus on in order to maintain his leadership position in the nest decade.

It is rightly said that communication is the mother of all skills. There is a growing realization about the importance of effective communication and leadership as a major success factor in our professional and personal lives. Professional Institutes like ICPAP and ICAP not only inspire us to become successful but also opens up opportunity of us to inspire other to become successful. so that ICPAP education programs has withstood the test of time and has evolved to become one of the most sought after self development programs for those who challenge themselves to become effective communicators and Professional Accountants



"The Conversation Prism"

"CFO of Microsoft said people will have access to information in a way they have never had in the past. Professional Accountants will have to get more coaching in communications skills"

**ICPAP has appointed new Regional Coordinators in United Kingdom, Saudi Arabia & Pakistan.**

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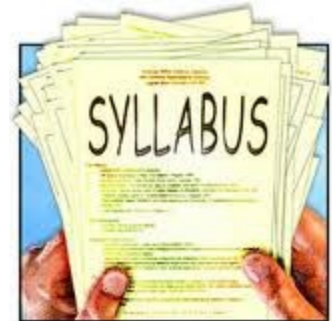
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## New (ICPAP) Associate Members

Worldwide individuals recently admitted as Associate Members.

Membership No.	Name	Country
M-507	Rajesh Kumar	PAKISTAN
M-508	Omais Mubashir	UAE
M-509	Muhammad Ashhraf	UAE
M-510	Muhammad Warris Warsi	PAKISTAN
M-511	Indiver Prakash	KSA
M-512	Adnan Masood	UAE
M-513	Muhammad Tayyab Yaqub	PAKISTAN
M-514	Muhammad Imran	PAKISTAN



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