

Withholding tax

Savings is considered to be the backbone of every economy which forms the foundation of growth and investment in a country. It is also the source on which the entire banking industry is based. In Pakistan where the importance of savings is even more critical as people can hardly make their ends meet, the percentage of profit on savings is dismal. However, instead of encouraging the a culture of savings and providing more incentives to depositors, the government has since forever levied an exorbitant fixed withholding tax of 10 percent on total profit from savings, irrespective of the amount of profit. This punitive action is beyond comprehension, keeping in view that savings is imperative for the economy and needs to be promoted under all circumstances otherwise people will start withdrawals from banks.

The same PML-N government which imposed the irrational withholding tax increased the tax-free income limit to Rs1.2 million per annum. Furthermore income tax rates for those earning between Rs1.2 and 2.4 million per annum were reduced to just five percent and for those earning between Rs2.4 and 4.8 million per annum was reduced to just 10 percent. The latter would even include the chief executives of some corporations. The present government is requested to review this anomaly and give some relief to poor depositors by giving them incentives.

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