

### **Withholding agents made responsible to obtain retailers' information**

KARACHI: The government has made a comprehensive plan to document the retail sector in the country by taking tough budgetary measures to discourage cash-based trading, sources said on Monday.

“In this regard an exemption from retailers' information granted since October 2013 has been abolished,” a senior official at Regional Tax Office (RTO) – II Karachi said.

The official said that through SRO 900(I)/2013 the exemption was granted by the FBR under which manufacturers, distributors and wholesalers were no more required to provide details of advance tax deducted from retailers on supplies made.

Through Finance Act, 2019 this exemption has been withdrawn. The official said that under Section 236H of Income Tax Ordinance, 2001, every manufacturer, distributor, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, and every distributor or dealer to another wholesaler in respect of the said sectors, was required to collect advance tax.

With the abolishment of this exemption, now manufacturers, distributors, and wholesalers were required to provide information including name, computerised national identity card, national tax number and address of each retailer under Section 165 of the Ordinance. FBR sources said the contribution of retail sector in the GDP was much higher and their contribution in tax collection was very nominal. They said that several reports suggest a huge gap between their contribution and tax collection.

The FBR official said another major amendment had been brought through the Finance Act, 2019 which was directly related to the retail sector. The condition of providing details of cash withdrawal by banks was relaxed through Finance Supplementary (Second Amendment) Act, 2019.

However, this condition was restored through Finance Act, 2019. Advance tax for persons appearing on Active Taxpayers List (ATL) has been withdrawn; however, the tax remained applicable on non-complaint taxpayers. Also, the bank now required to provide details of all cash withdrawals above Rs50,000 per day, the official added.

They also said that the retail sector operated in a cash economy, and after the levy of withholding tax on non-cash banking transactions, a large sum of cash was withdrawn from the banking system.

Through Finance Act, 2015 a section 236P was inserted to Income Tax Ordinance, 2001 under which withholding tax at 0.6 was imposed on persons not in the tax net.

The FBR sources said the government also had taken various measures in the sales tax system by making mandatory the condition to take CNIC number on sales to unregistered persons. Through this the government wanted to bring a large segment of the retail sector into the tax net. The condition of CNIC would be applicable from August 2019.

Shahnawaz Akhter