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SCCI calls for reducing minimum tax for companies with gross losses

PESHAWAR: Sarhad Chamber of Commerce and Industry (SCCI) has called for reduction in the minimum tax to 1 percent and to zero percent for companies having gross losses by restoring the same position as prevalent till Finance Act, 2016.

It has further recommended that the minimum tax paid in the solution of losses should be carried forwarded to at least two succeeding tax years.

The SCCI has made these recommendations in its draft proposals and recommendations for the upcoming federal budget 2019-20 prepared on receiving numerous suggestions and proposals from its members that warranting revisiting of the policies and procedures, previously not covered or required certain modification therein, both from the perspective of traders and industrialists.

The proposals said as a matter of record, the imposition of minimum tax on corporate sector remained a point of controversy throughout since introduced. It says that initially it was 0.5 percent that later increased to 1 percent and then reduced to 0.5 percent. However, through Finance Act, 2017 it was increased from 1 percent to 1.25 percent ignoring already imposition of taxes like super tax.

It says that it is also worth indicating that prior to Finance Act, 2016, entities having gross loss before Tax Depreciation etc, were exempt from minimum tax under Section 113 to facilitate genuine taxpayers due to current losses at GP level, but they were suffering because they could not carry forward minimum tax paid in the situation of sustaining losses where no tax liability arises in the normal course.

The chamber has also proposed that the rate of corporate tax should be brought down with a target to a maximum of 25 percent during next two to three years at the most, so as it is not at par with other competitive economies, with an ultimate objective to bring the economy to documentation.

It states that in Sri Lanka, the rate of corporate tax is 15 percent as compared to 30 percent in Pakistan. The reduction in rates of corporate taxes would for sure encourage non-corporate sectors to convert their businesses into private and public limited companies.

It elaborate that the present rate of 30 percent is the highest percentage in the entire region as the corporate rate of taxes in China ranges from 15 to 20 percent while there is simply no corporate tax in United Arab Emirates (UAE). The rate of corporate tax throughout world is less than 28-30 percent including Malaysia, Bangladesh, India and/or OECD members countries. Likewise, in Pakistan, there is the tax slab for salaried individuals, which was raised to 30percent from 20 percent vide Finance Act, 2013 in addition to applicability of withholding taxes utilities of all types. Consequently, the chamber has proposed that the highest slab rates for salaried individuals is restricted in the range of 15-20 percent together with reviewing the threshold of minimum income for salaried and non-salaried class.

The SCCI has also called for reducing the rate of tax on small companies to 15-20 percent to maintain consistency of policies and promote setting up of small companies.

It said the concept o small company was introduced with a reduced rate of tax i.e., 20 percent for all such companies registered on or after 1st July, 2005, which was subsequently enhanced to 25percent from Tax Year 2010. These companies were also exempted from being a withholding agent U/S 153 of the Income Tax Ordinance, 2001 as applicable to non-corporate sector.

The exemption was subsequently withdrawn and accordingly, the small companies were brought at par with AOPs/individuals. The particular treatment in disparity with types of corporate entities registered prior to July 01, 2005. The chamber has recommended that the small company should be brought at par with AOPs and individuals with threshold turnover limit of Rs.100 million.

The chamber has also called for the encouraging of withholding agents by allowing them to retain at source an amount equivalent to 25 percent of the amount recovered as taxes and deposited with the Federal Board of Revenue (FBR).

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