

Withholding statement: KTBA seeks restoration of monthly filing

KARACHI: Karachi Tax Bar Association (KTBA) has proposed to replace biannual withholding tax statement with the monthly filing of withholding statement.

The proposal was given by Ali A. Rahim, Director Bakertilly through his electronic presentation at a KTBA pre-budget seminar held at RTO Building, here.

The government, through Finance Supplementary (2nd Amendment) Act 2019, replaced the filing of monthly withholding tax statement under the Income Tax Ordinance 2001 (the Ordinance), with bi-annual withholding tax statement. Now, the KTBA has proposed to replace it with the previous monthly filing of withholding statement.

Furthermore, Ali Rahim said that the position prior to the amendment made through Finance Act, 2013, should be restored to allow set off against property income as well. He said that the amendment brought through Finance Bill 2018 relating to unabsorbed depreciation and amortisation should also be deleted.

Ali Rahim said that in both the (federal and provincial) laws, the Workers Welfare Fund and Workers Profit Participation Fund shall be allowed if the payment was made to the federal government. Since the enactment of the 18th Amendment in 2010, the same was collected by the provincial government. Since there is no mention of the payment to the provincial authorities, hence, the same was being disallowed by the income tax authorities.

The KTBA, therefore, proposed that the payment made under the provincial laws may be incorporated in the section 60A and 60B.

Moreover, Ali Rahim said that in order to provide level playing field, similar reduction in tax rates on interest income from such lending should also be provided for the DFIs.

Saud-ul-Hassan, Director EY Ford Rhodes, in his presentation, suggested that the sales tax rate may be brought down to 15 percent and gradually to 10 percent to encourage the unregistered persons to enrol themselves in tax net.

He said that federal and provincial revenue authorities had locked horns over taxation of services such as toll manufacturing, franchise services, restaurants, etc, and on cross border services.

He suggested that the federal and provincial sales tax authorities should form a fully-empowered commission to bring harmony in the sales tax laws dealing with services, particularly focusing on:

(i) Principle for taxation of services (origin, destination or mix); (ii) Mechanism for adjustment of taxes collected by Authorities without bothering taxpayers; (iii) Harmonization of tariff headings and definition/scope of services.

“The new list of items increased in SRO 490 should be removed as the cost of doing business and litigation has been enhanced,” he proposed, adding that restrictions on claim of input tax through general expressions should be removed from section 8(1) as it restricts the taxpayers’ vested right to claim legitimate input tax.

Saud also proposed that an amendment should be made in section 11 to the effect that no show cause notice shall be issued unless the sufficient information of tax fraud was available with the tax officer.

Mazhar Saleem Shah from KPMG Taseer Hadi & Co, in his presentation, said that in line with FBR and PRA laws, SRB may also frame rules for incentivising the export of services.

He said that the rate of withholding may be reduced from applicable rate to 1pc of value of services in line of federal sales tax withholding rules. Alternatively, input tax may be allowed against such input tax.

Moreover, he said that in line with the FBR and Punjab’s withholding sales tax regimes, the registered taxpayers, particularly the companies, may also be treated as ‘exempt’ from withholding of sales tax, which would reduce administrative cost of compliance.

A large number of KTBA members attended the seminar.

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