

Tax from new car registration down 10.2pc to Rs8.2bln in 10 months

KARACHI: The Federal Board of Revenue (FBR) collected Rs8.28 billion in withholding tax from registration of new cars during the first 10 months of the current fiscal year, down 10.2 percent over the corresponding period a year earlier, as auto sales fell on economic slowdown, sources said on Thursday.

Withholding tax collection from registration of new cars declined from Rs9.23 billion in the July-April period of 2017/18 fiscal year.

Auto sales slid around 4.5 percent during the period under review as weak rupee-driven price hike discouraged sales of new cars, while restriction on non-filers to own vehicles also took toll on the sentiments. The restriction was however lifted later to arrest the decline in sales.

The monthly collection of withholding tax on registration of new cars also witnessed decline despite relaxation to non-filers of tax returns.

In April, the collection of withholding tax fell to Rs912 million compared with Rs1.078 billion in the same month of last fiscal year, showing a 15.4 percent decline.

In July-April, car sales fell four percent to 162,692 units. The car sales were recorded at 170,354 units in the corresponding period of the last fiscal year.

The sources said economic slowdown resulted in decline in car sales, which hurt the collection of income tax. The local car manufacturers increased prices following the constant rupee devaluation, which also impacted the overall sales and collection of withholding tax. The rupee has lost more than 35 percent of its value against the US dollar since January last year.

The sources said the withholding tax collection under the head witnessed a continuous decline following the restriction imposed on non-filers to own cars.

The government inserted a section 227 into the Income Tax Ordinance 2001, through Finance Act 2018 under which non-filers of income tax returns were barred from registering new locally-assembled or imported cars. The government in September 2018 presented its first mini budget after an effort was made to relax the condition of registration of new cars for non-filers. Opposition from stakeholders, the government, however, dropped this idea. In the second mini-budget presented in February, the government allowed non-filers to buy locally-manufactured cars, but the restriction remained intact on imported cars as local car industry witnessed a steep decline in sales.

The FBR imposed withholding tax on registration of private motor vehicles under a law (section 231B). Under the section, every motor vehicle registration authority of excise and taxation department is required to collect and deposit the amount to the exchequer.

The government raised withholding tax by 50 percent for non-filers of tax returns to raise additional revenue, besides allowing the registration of new cars to non-filers.

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