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FBR's tax office posts 31pc revenue growth in four months

KARACHI: A revenue collecting arm of the Federal Board of Revenue (FBR) posted more than 31 percent growth in tax collection during the first four months of the current fiscal year, but it fell short of the target, sources said on Monday.

The revenue collection by Regional Tax Office (RTO)-II Karachi amounted to Rs34.45 billion in the July-October period of the current fiscal year compared with Rs26.22 billion during the corresponding period a year earlier.

The sources attributed the unprecedented growth in revenue collection to ongoing broadening of tax base (BTB) initiatives and better enforcement against non-compliant taxpayers.

The RTO-II Karachi achieved around 92 percent of the assigned target of Rs37.38 billion for the first four months of the current fiscal year. Budgetary measures introduced in the last budget 2019/20 also helped the tax office post significant growth in revenue collection.

The sources said a large number of non-compliant individuals filed their annual returns and also paid due taxes due to BTB initiatives by the tax office. The FBR received a record number of returns filing of 2.67 million for the tax year 2018.

The sources also attributed the higher revenue growth to 100 percent increase in withholding tax rates for individuals who don't appear on the active taxpayers list (ATL).

The FBR doubled the rate of withholding tax on individuals not appearing on the ATL through Tenth Schedule to Income Tax Ordinance 2001.

The breakup of revenue of the RTO-II Karachi showed that income tax collection registered a 34 percent growth. The tax office collected Rs32.23 billion during July-October 2019 compared with Rs24.1 billion during the corresponding period of the last fiscal year.

The major component in income tax collection was withholding tax on banking profits on debt, which grew more than 200 percent.

The collection of bank profit on debt increased to Rs18.02 billion during the first four months of the current fiscal year compared with Rs5.92 billion in the corresponding period of the last fiscal year. The withholding tax rate on profit on debt paid by banking companies is 10 percent on amount up to Rs0.5 million and 15 percent on amount exceeding Rs0.5 million. However, if individuals are not on the ATL, applicable tax rates are 20 percent and 30 percent, respectively.

The tax office witnessed a sharp decline in revenue from cash withdrawal from banks because withholding tax under this provision was abolished for compliant taxpayers. Now, withholding tax on cash withdrawal is collected from individuals not appearing on ATL.

The RTO-II Karachi collected Rs2.49 billion withholding tax from cash withdrawal during the first four months of the current fiscal year compared with Rs6.74 billion in the corresponding months of the last fiscal year.

Sales tax collection of the RTO-II Karachi amounted to Rs2.2 billion in July-October 2019/20 compared with Rs1.83 billion in the corresponding period of the last fiscal year.