

Sindh, FBR fail to resolve WHT collection on motor vehicles

KARACHI: Talks between the Sindh government and the Federal Board of Revenue (FBR) ended in a failure as the provincial government refused to resume withholding tax collection on registration and transfer of motor vehicles, sources said.

The meeting was held between Sindh Chief Minister Syed Murad Ali Shah and Chairman FBR Javed Ghani on Tuesday at the Chief Minister's House. Member Inland Revenue Operations FBR Dr Muhammad Ashfaq, Chief Commissioner Regional Tax Office (RTO-II Karachi) Nazir Ahmed Shoro, and other senior FBR officials were also present in the meeting.

Sources in the FBR said the provincial government had refused to resume collection of withholding tax on registration and transfer of motor vehicles till the amount of the provincial government was refunded. The Sindh Excise and Taxation Department from July 01, 2020 had stopped the collection of withholding tax on registration of motor vehicles.

The provincial revenue department had so far been collecting withholding tax under Section 231-B and Section 234 of Income Tax Ordinance 2001, on behalf of the FBR on registration of new motor vehicles and transfer of the registration.

But currently the Sindh Excise and Taxation Department has stopped collecting withholding tax, referring to the Sindh cabinet's decision taken on February 19, 2020 to discontinue the collection of withholding tax for the FBR with effect from July 01, 2020.

The Sindh government had taken this decision after an amount of Rs4 billion was recovered from Sindh government's account through the federal adjuster. The RTO-II Karachi claimed that another Rs6 billion was still payable by the Sindh Excise Department.

The sources said the FBR had so far witnessed a loss around Rs300 million due to non-collection of withholding tax by the Sindh Excise Department, while the loss would further widen if the provincial department would not collect withholding tax during the month of August 2020. The sources said the next round of talks would be held by the prime minister's adviser on finance and revenue and the provincial authorities in Islamabad.