

Karachi's tax collection surges 60 percent in Feb

KARACHI: Regional Tax Office (RTO-II) Karachi has posted an unprecedented growth of 60 percent in revenue collection for February, owing to massive tax earnings from banking deposits, sources said on Thursday.

Sources in the tax office said its revenue collection surged to Rs12 billion in February, compared to Rs7.5 billion in the same month of the last year. The sources attributed the sharp increase in revenue collection to growing interest income on bank deposits.

Tax collection on profits on debt sharply increased 361 percent to Rs8.62 billion in February compared to Rs1.87 billion in the same month a year earlier.

The revenue collection of the tax office, during July-February 2019/20, registered a 31 percent growth to Rs76.54 billion. That was compared to Rs58.35 billion in the same period of the last fiscal year. The sources said significant growth in revenue collection was due to effective monitoring of collection of withholding taxes and recent drive to broaden the tax base.

The sources said the withholding tax collection under some heads increased phenomenally due to additional tax imposed on individuals who are not on the active taxpayers list (ATL).

The government, through the Finance Act 2019, introduced 10th schedule into the Income Tax Ordinance, 2001 under which various transactions were subject to 100 percent more withholding tax. The Finance Act abolished the term of non-filers and made it mandatory that only ATL members would be able to take advantage of reduced tax rates.

The sources said tax collection witnessed declines in heads where provision of 100 percent additional withholding tax was not applicable.

The RTO-II collected Rs72 billion as direct taxes during the first eight months of the current fiscal year, compared to Rs54.43 billion in the corresponding period of the last fiscal year, showing a 40 percent growth. The collection of tax from profit on debt increased to Rs43.75 billion in the July-February period, compared to Rs15.32 billion in the corresponding period of the last fiscal year.

The sources attributed the rise in tax under the head to attractive interest rates. The SBP maintained the key benchmark interest rate at decade-high of 13.25 percent in the last three monetary policy decisions.

The office collected Rs4.45 billion as sales tax, during July-February 2019/20, compared to Rs3.89 billion in the corresponding period a year earlier, showing a 14 percent growth. The tax office also collected Rs43.5 million as federal excise duty during the period under review. The collection at the national level grew 17 percent during the period under review.