

Effective from July 1, Remittances to be exempted from WHT

ISLAMABAD: The amount of the remittances transferred into bank accounts will be exempted from withholding tax with effect from July 1, 2020, aimed at increasing remittances, the Finance Division said.

Remittances during July-February fiscal year 2019-20 reached \$ 15.1 billion.

Due to this increasing trend in remittances, the remittances will exceed \$22 billion at the end of fiscal year 2020, maintained the FD, while sharing the remittances data, measures to increase remittances, outlook and recommendations here on Wednesday. The amount of the remittances transferred into bank accounts will be exempted from withholding tax with effect from July 1, 2020.

Further a “National Remittance Loyalty Programme” will be launched from September 1, 2020, with the collaboration of major commercial banks and government agencies, through which various incentives will be given to remitters through mobile apps and cards.

According to the data, during July-February fiscal year 2020, remittances reached \$15,126.5 million (\$14,355.8 million last year), with a growth of 5.4 percent.

On year-on-year (YoY) basis, remittances witnessed a growth of 15.3 percent in February 2020, recorded \$1824.3 million (\$1,581.7 million last year).

Share of remittances from Saudi Arabia 23 percent (\$3,473.4 million), UAE 20.7 percent (\$3,131.8 million), USA 16.9 percent (\$2,558.3 million), UK 15.2 percent (\$2,305.6 million), other GCC countries 9.6 percent (\$1,453.5 million), Malaysia 6.7 percent (\$1,041.4 million), EU 2.9 percent (\$431.1 million), and other countries 4.8 percent.

The FD maintained that increased efforts by the Pakistan Remittance Initiative (PRI) helped attract higher remittances from the Pakistani diaspora through enhancing outreach, reimbursement of TT Charges Scheme (free-send model) and improvements in Payment System Infrastructure etc.

The reimbursement of TT charges scheme is revised on March 2020 accordingly.

The amount of home remittance transaction between USD 100 and USD 200 (or equivalent in other currencies) to be reimbursed increased from SAR 10 to SAR 20.

The SBP has raised the payment limits for information technology (IT)-related freelance services from \$5,000 to \$25,000 per individual per month to enhance business-to-customer transactions through home remittance channel.

The enhancement in limit will facilitate freelancers to increase home remittances through formal banking channels in the country.

In order to further encourage promotion of home remittances through formal channels, the Government of Pakistan has re-launched the performance-based scheme effective from January 1, 2020 in which, Re1 per each incremental USD mobilized over 15 percent growth in remittances in calendar year 2020 compared with the levels achieved in calendar year 2019.

It further maintained that the ECC approved a technical supplementary grant of Rs.9.6 billion during the current financial year to finance the above-mentioned initiatives.

Visa fee reduction from the Kingdom of Saudi Arabia is likely to boost inflows.

Export of manpower has been increased to 491,854 during July-February fiscal year 2020 (284,047 last year), additional workers of 207,807 (73 percent), the major recipient are Saudi Arabia, UAE, and Oman.

The present government has improved its diplomatic relations with the Gulf States, which helped to restore the confidence of foreign employers on Pakistani workforce.

According to the outlook, the remittances during July-February fiscal year 2020 reached \$15.1 billion.

Due to this increasing trend in remittances, the remittances will exceed \$22 billion at the end of fiscal year 2020.

Moreover, seasonal effect also play major role in boosting remittances.

It is also expected that with the start of Ramzan and Eid, the flow of remittances will increase as workers generally send more money during festivals.

The division has recommended that the trends in global labour markets be thoroughly analyzed to determine the demand pattern of skill and then prospective emigrants should be trained for proficiency in such trades/professions.

Ministry of Overseas Pakistanis and Human Resource Development should coordinate with the NAVTTC and the TEVTAs to develop curriculum for capacity building of young labour, and execute training course accordingly.

Further diplomatic training institutes must properly train labor attachés.

A properly structured generic training module for them needs to be developed.

It should include cultural practices and norms, administrative set up, labour laws, and basic language skills.

Ministry of Overseas Pakistani and Human Resource Development should issue license to emigrant's promoter and every promoter should meet the specified criteria/targets during the given period. Carrot and stick policy should be adopted according to which promoter must be given incentives on excellent performance and punished on non-compliance that could be cancellation of license.