

**Good time to broaden tax base, says OICCI**

ISLAMABAD: An influential group of international investors operating in Pakistan has asked the government to make effective use of the National Database and Registration Authority (Nadra) to ensure collection of taxes on all incomes including the agriculture and continue pursuing the documentation of economy despite relaxations and reliefs announced in the wake of Covid-19 outbreak.

In its budget proposals to the government, the Overseas Investment Chamber of Commerce and Industry (OICCI) on Saturday said that time was ripe to bring agriculture income into effective tax net and agriculturists should be required to file income and wealth tax returns with effective use of Nadra records.

The OICCI, on the other hand, advocated that all exemptions and relief should be reviewed and revised except for those in the nature of creating job opportunities in manufacturing and services and facilitating the increase of exports. The exemptions should be given only for attracting foreign direct investment and for underprivileged and poor sections of society.

The business group called for simplification of existing complex system of determining the corporate tax liability by abolishing Alternative Corporate Tax and Minimum Tax Regime and doing away with undue recurring audit, examinations, reviews and recovery proceedings.

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It said that simplification of taxpaying process could be addressed by the introduction of a single collection authority using online payments as well as easing the procedures and forms for filing the sales and income tax returns.

Additionally, taxation policies should be for timelines with a 10 year phasing out period to facilitate and protect longer-term investment plans of locals and foreigners. The OICCI also demanded to consolidate all federal taxes, including income tax and levies like Workers Welfare Fund , Workers Profit Participation Fund in one lump sum so as to make the system more efficient and business friendly.

It OICCI also proposed reduction in minimum tax rate to 0.2 per cent for oil marketing, refineries, LNG terminal operators, large chemical companies, authorised dealers of local vehicle manufacturers and traders, including large trading houses, dealing in sectors with high turnover and low margins. Minimum tax should be adjustable against future tax liabilities for next six years.

The industry also proposed withholding tax regime should be revamped by reducing it to a maximum of five rates only and the differentiation should be on the basis of active and in-active taxpayers only.

The OICCI also proposed that sales tax rates (federal and provincial), both on goods and services, should be harmonised throughout the country and be aligned to 13pc charged in Sindh.

A timely settlement of the determined refunds should be made, and if there is a liquidity issue then issuing marketable government bonds/securities be considered. The government has also been asked to amend current fixed interest rate of 10pc to floating interest rate linked with Kibor.

Further, it was also proposed that tax credit on employment generation given to the manufacturing should also be provided to the services sector and the rate of initial depreciation allowance be increased from the current 25pc to 50pc for plant and machinery.