

Withholding tax collection falls 34pc to Rs6.4bln in July-April

KARACHI: Withholding tax collection from non-cash banking transactions sharply fell 34 percent to Rs6.41 billion in the first 10 months of the current fiscal year of 2019/20 as taxpayers showed inclination to file returns to avoid the punitive taxation, official data showed on Friday.

Large Taxpayers Unit Karachi's data showed that withholding tax on non-cash banking transactions fell Rs9.65 billion in the July-April period of 2018/19.

The decline in collection was attributed to the government's measures to document the economy, which resulted in record income returns tax filing. The filing of income tax returns reached to 2.9 million for the tax year 2018.

However, sources said collection of withholding tax from non-cash banking transaction might increase in coming days as the mode of transactions would increase due to outbreak of coronavirus.

Withholding tax on non-cash transactions is applicable at 0.6 percent only on individuals, who don't appear on the active taxpayers list (ATL). Presently, taxpayers are allowed exemption from deduction of withholding tax on the basis of appearance on ATL 2019, which was issued on March 1, 2020.

The government introduced the withholding tax provision through Finance Act, 2015 and a new section (236P) was inserted into the Income Tax Ordinance, 2001. Under the provision, 0.6 percent withholding tax was imposed only on non-filers of income tax returns on aggregate transactions of Rs50,000 per day.

The provision was aimed at increasing burden on an individual not filing income tax returns.

The government faced opposition from various quarters after the introduction of the section 236P. Therefore, the government reduced the tax rate to 0.3 percent in the same fiscal year of its launch. The reduced rate increased to 0.4 percent in March 2017 and finally the rate was made part of the statute through Finance Act, 2018.

The present government through the Finance Supplementary (Amendment) Act, 2018, in October 2018, restored the tax rate to 0.6 percent in order to make transactions costlier for non-compliant taxpayers.

Through Finance Act, 2019 a new tenth schedule was introduced into the ordinance, under which withholding tax would be collected from individuals not appearing on the ATL.

Previously, the income tax return filing was mandatory for appearing on the ATL. But in the latest arrangement, a taxpayer would appear on the ATL if he files annual return by due date.