

OICCI calls for tax reforms in Punjab

LAHORE: Investors have demanded tax reforms in Punjab to improve the ease of doing business and restore the competitiveness of firms operating in the province.

In its taxation proposals for the provincial budget 2020-21, the Overseas Investors Chamber of Commerce and Industry (OICCI) has suggested implementation of a raft of reforms to improve ease of doing business and broaden the tax net for incentivising new investments in Punjab.

The normal rate of sales tax on services in Punjab is 17 per cent compared to 13pc in Sindh and 15pc in Khyber Pakhtunkhwa and Balochistan to which the chamber proposed that Punjab government align its tax rate with Sindh to ensure level-playing field and gradually slash it to 10pc over next three years to bring it at par with other countries in the region.

‘The current rate should be maintained for the unregistered entities to encourage them to register to avail the benefits of input adjustment and will enhance documentation,’ it said.

The OICCI, which represents foreign companies operating in Pakistan, also called for merging revenue collection, including all labour levies, under one ministry/body. ‘The provincial government can devise a mechanism to allocate a share of the three tax collecting bodies Punjab Revenue Authority, Excise & Taxation Department and Board of Revenue to add to the ease of doing business and attract new investments.

It called for amending provincial Sales Tax Act on services to allow the registered persons to claim input tax related to procured goods/services, insert a separate schedule for zero-rating exports, and exempting all services provided outside Pakistan, which result in inflow of foreign exchange and export of all taxable services.

Additionally, toll manufacturing should be deleted from the list of services as it is taxable as a good under the federal sales tax.

DUPLICATION OF TAXES: Investors insist that multiple, distinct and sometimes conflicting sales/services tax laws introduced by the provinces and the centre for their respective jurisdictions result in foreign investors getting harassed by revenue collectors, demanding tax on the same transactions creating hardship and double taxation claims.

‘This situation creates complexities for the investors. For example, a service provider registered in Sindh providing taxable services to a recipient in Punjab is liable to pay sales tax in Sindh whereas the withholding agent (recipient of the service) is registered in Punjab and is liable to withhold sales tax and pay the same to the Punjab government.

`Despite improvement in coordination between different revenue authorities, the investors' concerns remain as the issue of levy of sales tax at `origination` and `termination` of a service in both the provincial legislations on services has still not been resolved.

Duplicate taxation is causing hardships to the taxpayers and we suggest formation of a policy board of the federal and provincial tax authorities to ensure synchronisation of policies, standard tax rates and removal of anomalies, the OICCI tax proposals highlight.

TAX NET: The OICCI further demanded elimination of tax exemptions given to incomes from different segments of agriculture, urging the provincial government to use technology, National Database Regulatory Authority and other sources to ensure that all income earners from services are taxed.

Moreover, it wants expansion of services sales tax to all cities of the province and untaxed services, and doubling of the sales tax rate on services for non-filers of income tax returns.