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## **‘High corporate tax rate encourages evasion’**

KARACHI: High corporate tax rate in Pakistan is encouraging evasions and the major irritant in documentation of the economy, professionals said.

Tax practitioners said the corporate tax rate in Pakistan in FY2021 is 29 percent which due to multiplicity of taxes (2 percent workers’ welfare fund + 5 percent workers’ participation fund) goes up to 36 percent. The average tax rate in Asia was 21.3 percent in 2020.

They agreed on this point during pre-budget discussions held under the umbrella of Karachi Tax Bar Association (KTBA) to finalise tax proposals for upcoming budget 2021/22 Zeeshan Merchant, president of KTBA said on Wednesday the KTBA would finalise its recommendations for the upcoming budget by the end of this week.

Haider Ali Patel, former KTBA president presented ways to broaden the tax base and documentation of the economy. He said the Federal Board of Revenue (FBR) should extract information from withholding statements, details of government supplies and maintain a database of third part information.

“Relevant organizations, departments, institutions including utility companies, banks, NADRA and information obtained related to offshore transactions should submit prescribed information on quarterly basis to the FBR,” Patel said. The high rate of tax is encouraging tax evasion and is discouraging documentation of economy and corporatization. It is also a disincentive for foreign and local investment.

The tax practitioners were unanimous that the maximum rate of income tax at 29 percent on companies should be brought down to 25 percent by reducing 1 percent every year similarly on single member/small companies to compete with other regional and global countries their rate of tax be reduced gradually to 22 percent.