

Corporate tax rate should be brought down to 25pc

KARACHI: Tax practitioners have demanded to bring down the tax rate at 25 percent in order to encourage investment and documentation of economy.

Tax practitioners at a pre-budget seminar organized by Karachi Tax Bar Association (KTBA) discussed the proposals for the budget 2021/2022.

At the seminar a presentation was given on income tax proposals, which pointed out that in Pakistan the corporate tax rate 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 21.32 percent in 2020. 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.

It is proposed that 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.