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Shahbaz Rana | March 25, 2025

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ISLAMABAD: The salaried class paid staggering Rs331 billion income tax in the eight months of the current fiscal, which is 1,350% more than the taxes paid by retailers, but still not enough for the government to seek relief from the International Monetary Fund (IMF) for the marginalised segment.

The total income tax contributions by the salaried people during July-February period of this fiscal year were Rs120 billion or 56% higher than Rs211 billion collected during the same period of the last fiscal year.

The government of Prime Minister Shehbaz Sharif had targeted the collection of Rs75 billion additional from the salaried class for the full fiscal year 2024-25. The figure is already Rs120 billion higher and still four months are remaining in the close of the fiscal year.

In the last year, the salaried class paid Rs368 billion in taxes. But despite this backbreaking burden on the salaried people, who pay taxes on the gross income without adjusting expenditures, the government did not take up the issue of lessening this burden with the IMF during the recently held talks.

There were no discussions with the IMF to lower the tax burden of the salaried class, sources said. When contacted, FBR Spokesperson Dr Najeeb Memon said that the government would review the taxes on the salaried class in the upcoming budget exercise.

In contrast to Rs331 billion paid by the salaried persons, the retailers, mostly unregistered, contributed merely Rs23 billion on account of withholding income tax on their purchases. The amount of tax that the traders paid under section 236-H was 1,350% less than the taxes paid by the salaried persons.

The wholesalers and distributors also paid Rs16 billion withholding tax in eight months and ironic though almost half of them were unregistered with the FBR, said the sources.

In the budget, the government had imposed 2.5% withholding tax on the traders in the hope that this would force them to come in the tax system.

The increase in the rate did help collect Rs12 billion more from the traders but the intended objective could not be achieved. The traders passed on the cost of the additional tax to the end consumers.

The government's Tajir Dost scheme to bring in 10 million traders in the net also failed badly and it has now stopped talking about it. The government was supposed to collect Rs50 billion from the retailers under the scheme, but it ended up collecting peanuts.

The sources said that the FBR admitted before the IMF that the traders and the jewellers were the two hard nuts to crack. The FBR also confessed before the IMF that due to major design flaws, the Tajir Dost Scheme had failed.

The IMF was briefed that the large traders also stopped the smaller ones from joining the scheme and as a result it could not expand the scheme to 43 cities. The FBR's plan to bring a minimum of 10 million retailers in the net had flopped, the IMF was told.

The sources said that the Finance Minister Muhammad Aurangzeb had asked the FBR to begin the exercise to review the salaried class taxation with an objective to provide some relief. However, no such discussions took place with the IMF.

In last June, the government massively increased the tax burden of the salaried persons by reducing the number of slabs, which put abnormal burden on the middle and upper middle-income groups. The maximum 35% rate is now unfairly charged at Rs500,000 monthly income and a 10% surcharge is also imposed, which takes the total tax rate to 38.5% for the highest slab.

Where the government did not feel the pain of the salaried persons, it tried to negotiate with the IMF to reduce the tax burden of the real estate sector. The IMF did not accept the

government's demand and has, for now, kept the rates unchanged.

The details showed that non-corporate sector employees paid Rs141 billion income tax this year, which is higher by Rs42 billion or 43%. The corporate sector employees paid Rs101 billion in income tax, also higher by Rs37 billion or 56%.

The provincial governments' employees paid Rs57 billion, up Rs28 billion or 96%. The federal government employees paid Rs34 billion, again higher by Rs14 billion or 66%.

For the current fiscal year, the IMF has given Rs12.97 trillion tax target to FBR, which has already sustained Rs605 billion shortfall in eight months despite collecting Rs331 billion from the salaried persons.

For the month of March, the tax target is Rs1.220 trillion that the FBR is again going to miss by a wide margin. Till Sunday, the FBR had collected Rs515 billion, leaving it with a gigantic task of generating Rs704 billion within this week. Friday will be the last working day before Eid holidays.



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