

Tax exemptions causing Rs500bn loss to economy

By Israr Khan

SLAMABAD: The economy is losing Rs500 billion every year because of various statutory regulatory orders (SROs), giving tax exemptions to politicians, members of parliament and civil military bureaucracy, Dr Ikramul Haq, renowned economist and tax consultant, said on Thursday.

He was addressing a policy dialogue, "Pre-Budget Policy Dialogue: Equitable Tax Regime in Pakistan", jointly organised by The Network for Consumer Protection and Oxfam Novib.

This huge amount accounts for about 22 percent of the country's total tax revenue. The government set the tax revenue target at Rs2.275 trillion for the current fiscal year.

The tax consultant said, "This is increasing gap between

the rich and the poor, which is widening every passing day. Taxpayers are being squeezed further."

Although it is the sole prerogative of the parliament to impose or withdraw tax, the government issued 80 SROs last year to exempt the powerful from paying taxes, he said. Therefore, the Federal Board of Revenue (FBR) has never been able to meet its collection targets.

He sought the constitution of the National Tax Authority to force all those having taxable income to file returns according to their liability.

Currently, Pakistan needs a judicious and equitable tax system because the prevailing system is causing inequality in the society and supporting those who manage to evade taxes in one way or the other, said the economist.

Progressive taxation, said Dr Haq, is envisaged in Article 3 of the Constitution of Pakistan and poverty is directly linked with an inequitable distribution of income and wealth, reveals his recent study.

The SRO culture should come to an end as it does not exist even in India or other neighbouring countries. However, he appreciated the government's recent statement that it would discourage SROs culture and add Rs120 billion to national exchequer in this way.

On the occasion, Muhammad Abdullah Yousuf, former chairman of the FBR, said the federal government was facing widening fiscal and trade deficits. The fiscal deficit is around Rs1.9 trillion. Exports are relatively poor as compared to the quality of imports.

"The government should draw a clear line as who should

pay and who should not pay," Yousuf said. He called for automation of the current tax system.

At present, low-income groups pay 77 percent of the total taxes.

The ex-chairman FBR asked everyone, individual and institution to help the government and tax authorities.

Tashfeen K Niaz, chief of Sindh Revenue Board (SRB), said that provinces and the provincial tax authorities were doing much better than the FBR.

Giving example of his own province, he said after the devolution of powers under the 18th amendment, Sindh was empowered to collect taxes in different heads and last year, it earned Rs333 million as compared to Rs73 million the FBR collected in the previous year.

Niazi said that the FBR

lacked direction and kept changing policies, which ultimately took toll on the province's revenue. Sindh has made a monumental increase of 133 percent in revenue in the last three years, he noted.

The SRB chief called for capacity building and automation of the tax system.

Dr Asad Zaman was of the view that the poverty was a much complicated issue and should be seen in a broader and larger perspective. He advocated different strategies to bring the wealthy in the tax net keeping in view the strength and the level of resistance.

Programme Manager Essential Services Hague Netherlands Ollariak Sawade called for the tax justice as it could have very fruitful and positive effect on the country's social and infrastructural development.