MEDIA COVERAGE

SPECIAL ROUNDTABLE

3 September 2019

Mechanism for Effective Revenue Collection in Pakistan: Ways and Means

1. Economists ask FBR to remove trust deficit

Discussions held on ‘Mechanism for Effective Revenue Collection in Pakistan: Ways and Means’; participants emphasise that taxation policies are part and parcel of economic edifice of modern economies; ‘good governance, uninterrupted social service delivery, robust infrastructure development and controlled inflation can materialise by broadening the tax base’

The participants emphasized that taxation policies are part and parcel of the economic edifice of modern economies. Through the correct utilisation of revenue generated by virtue of effective taxation policies, the aim is to establish sound governance and to prevent a scenario where an economy buckles under bloated debt. Conducitizing the matter in the case of Pakistan which has not had primary surplus for many years, there was a consensus among the participants that revenue collection is the remedy for several economic malaises that beset the country, including poor tax-to-GDP ratio and debt servicing which have marred the already strained economy. Good governance, uninterrupted social service delivery, robust infrastructure development and controlled inflation can materialise through broadening the tax base.

Fiscal deficit was described as the mother of all ills in the case of Pakistan. Speakers highlighted that the current government is trying to slash its expenditure, but revenue collection needs to be improved since the last fiscal year alone witnessed a 1 per cent decline in revenues, and targets set for growth are too close to materialization. In addition, the speakers also highlighted that direct taxes make up only around 34 per cent compared to indirect taxes which are not only grossly regarded as regressive, but also contribute to low economic growth since they lead to multidimensional poverty with the middle and lower strata of society at its receiving end.

Given Pakistan’s Ease of Doing Business ranking at 173 out of 190 countries, it was stressed that foreign investment cannot be brought into the country. Ease of doing business can be significantly enhanced by making tax policies more simple, providing a level playing ground especially to small and medium-sized enterprises and cutting down on tariffs which can also make goods competitive in the international market.

Analogies were drawn to Chile, Turkey and Vietnam which faced similar challenges of economic growth and tax collection, but were able to bring about a major turnaround. In the extent that at present Vietnam alone has exports nearing USD200 billion. Along with this, to improve revenue collection, Pakistan’s cash economy must be capitalized. Agriculture and the service sector ought to contribute much more to the tax base. Concessional tax cuts should not be only confined to specific industries, rather the growing internet economy which has the potential to add USD100 billion to Pakistan’s economy must be included as well.

Appraising the performance of FBR, the speakers stressed upon the institution’s capacity constraints to meet the 5,500 billion tax target largely because the Board has not evolved in line with Pakistan’s financial policies. It was suggested that the FBR needs to introduce a Fiscal Reg for taxpayers and that there is a need for officers to be abreast of modern methods of tax collection. Another recommendation put forward was to conduct data mining in order to locate new taxpayers with the assistance of NADRA.

The speakers recommended that the efficacy of tax registration ought to be streamlined and madeuser-friendly by the FBR in order to address trust deficit between taxpayers and tax collectors or the government for that matter. The government also needs to modernize the whole process of tax collection and tax refunds, along with limiting discretionary powers of tax collectors. When the average Pakistani is confident that their tax is not slipping through the crevices in the system, and that they will reap the benefit in the shape of improved infrastructure, healthcare, employment opportunities, there will be behavioral and attitudinal changes in the public, it was stressed.

Enhancement of tax-to-GDP ratio, which currently stands at around 10-15 per cent, increased revenue collection free of corruption, widening of tax base were outlined as key areas of interest for the purpose of redressing Pakistan’s shrinking economy. It was concluded that such measures will lead to an environment which will be the stimulus for economic revitalization and that Pakistan must make the most of the collection point as manufacturing units are moving away to cheaper markets.

The roundtable also included Ayaz Asim, Chief Financial Officer APPMA; Dr. Bushra Yasmin, Chairperson, Department of Economics, Fatima Jinnah Women University; Dr. Shaima Shafique, Head Department of Economics, National University of Modern Languages, and Dr. Muhammad Ali Syed, Assistant Professor, IBA University. Dr. Karim Khan, Mr. Zafar Shahid Ahmed, Mr. Zulfiqar Rehman Qureshi were also amongst the participants.
2.

Better revenue collection must to rectify economic imbalance

Speakers at roundtable call for improved transparency in tax collection, finding new taxpayers

ISLAMABAD

With the government borrowing over Rs1 trillion from the central bank last year to bridge revenue shortfalls, economic experts on Tuesday suggested that the government must focus on improving its revenue streams, particularly through more efficient taxation policies.

This was emphasised by participants of a roundtable conference titled ‘Mechanism for Effective Revenue Collection in Pakistan: Ways and Means’. The roundtable had been organised by the Islamabad Policy Research Institute (IPR) on Tuesday.

The roundtable was chaired by former finance secretary for the finance division Dr Waqar Masood Khan, while Federal Board of Revenue (FBR) former chairman Niaz Muhammad Khan, Pakistan’s former ambassador to the World Trade Organisation (WTO) Dr Manzoor Ahmad, State Bank of Pakistan former governor Tariq Bajwa and former FBR chairman Ali Arshad Haseen were speakers at the occasion.

The speakers said that Pakistan has not had a surplus budget for many years and there was a consensus amongst the participants that revenue collection was one of the best remedies for several economic maladies which plague the country, including the poor tax-to-gross domestic product (GDP) ratio and debt servicing — all of which have marred its already stunted economy.

Good governance, uninterrupted social service delivery, robust infrastructure development and controlled inflation can materialise by broadening the tax base.

In Pakistan’s case, the mounting fiscal deficit was identified as the ‘mother of all evils’. On this front, it was stated that the incumbent government is trying to slash its expenditure but it desperately needs to shore up its revenue collection — which has fallen by a percentage since the last fiscal year — to fully address the budgetary deficits.

Moreover, the targets set for growth are no close to materialisation.

The speakers also highlighted that direct taxes make up only around 34 per cent of the country’s total revenues compared to indirect taxes which were not only generally regarded as regressive but also contribute to low economic growth as it leads to multidimensional poverty because it typically impacts the middle and lower strata of society the most.

The challenges the country faces in boosting revenues also stem from its inability to attract investment. The World Bank ranks Pakistan 133 out of 190 countries with regards to ease of doing business. This, however, can be significantly enhanced by incorporating simplicity in the taxation policies, providing a level playing field, especially to small and medium-sized enterprises and cut down on tariffs which can also make goods competitive in the international market.

Agriculture and the service sector ought to contribute much more to the tax base

Analogies were drawn to Chile, Turkey and Vietnam which have faced similar challenges in their economic growth and tax collection structures but were able to bring about a major turnaround to the extent that at the moment Vietnam alone has exports worth $300 billion.

The speakers further suggested that the cash economy must be capitalized upon while sectors such as agriculture and the services ought to contribute much more to the tax base.

Concessional tax cuts should not only be confined to specific industries but the burgeoning internet economy, which has the potential to add $100 billion to our economy, must be included as well.

The speakers stressed upon the Federal Board of Revenue’s (FBR) capacity constraints to meet the Rs5.5 trillion tax target, largely because FBR has not evolved in line with the country’s financial policy.

It was suggested that the tax body introduce a fiscal register for taxpayers and there is a need for officers to be up-to-date with modern methods of tax collection.

Another recommendation put forward was to conduct data mining to locate new taxpayers with the assistance of NADRA.

The speakers recommended that the modus operandi of tax registration ought to be streamlined and made hassle-free by the FBR, to address the trust deficit between the taxpayer and the tax collector or the government for that matter. The government also needs to modernise the entire process of tax collection and tax refunds, along with limiting discretionary powers of the tax collector and enhancing transparency in the process.

When the average citizen is confident that their tax is not slipping through the crevices in the system, and that they will reap the benefit in the shape of improved infrastructure, healthcare, employment opportunities, there will be behavioural changes in the public, it was stressed.

Enhancement of tax-to-GDP ratio which currently stands at around 10% to 15%, increased revenue collection free of corruption, widening of the tax base was highlighted as key areas of interest to re-dress Pakistan’s shrinking economy.
Massive improvement in revenue collection needed for economic progress
September 3, 2019

ISLAMABAD, SEPT 03 (DNA) – The Islamabad Policy Research Institute organized a Special Roundtable on Mechanism for Effective Revenue Collection in Pakistan: Ways and Means here in Islamabad today.

The roundtable was chaired by Dr. Waqar Masood Khan, Former Federal Secretary for Finance Division, while Mr. Nisar Muhammad Khan, former Chairman FBR Dr. Manzoor Ahmad, Pakistan’s former Ambassador to WTO, Mr. Tariq Bajwa, Former Chairman FBR & former Governor, State Bank of Pakistan and Mr. Ali Arshad Hakeem, former Chairman FBR, were amongst the esteemed speakers.

The participants emphasized that taxation policies are part and parcel of the economic edifice of modern economies. Through the correct utilization of revenue generated by virtue of efficacious taxation policies, the aim is to establish sound governance and to prevent the scenario where an economy buckles under bloated debt. Contextualizing the matter in the case of Pakistan which has not had a primary surplus for many years, there was consensus amongst the participants that revenue collection is the remedy for several economic maladies that beset Pakistan including poor tax-to-GDP ratio and debt servicing which have marred the already stunted economy. Good governance, uninterrupted social service delivery, robust infrastructure development and controlled inflation can materialize through broadening the tax base.

Fiscal deficit was described as the mother of all evils in the case of Pakistan; identifying that the current government is trying to slash down on its expenditure but the revenue collection side of it needs to be addressed since last fiscal year alone witnessed a 1% decline in the revenues, and targets set for growth are no close to materialization.

In addition, the speakers also highlighted that direct taxes make up only around 34% compared to indirect taxes which were not only generally regarded as regressive but also contribute to low economic growth as it leads to multi-dimensional poverty; as the middle and lower strata of the society is at its receiving end.

Referring to ease of doing business; according to the World Bank Pakistan ranks 173 out of 190 countries. With that in mind, foreign investment cannot be brought into the country. Ease of doing business can be significantly enhanced by incorporating simplicity in tax policies, providing a level playing ground especially to small and medium-sized enterprises and cut down on tariffs which can also make goods competitive in the international market.
Analogies were drawn to Chile, Turkey and Vietnam which faced similar challenges of economic growth and tax collection but were able to bring about a major turnaround to the extent that at present Vietnam alone has exports nearing $200 billion.

Along with this, to improve revenue collection, Pakistan’s cash economy must be capitalized. Agriculture and the service sector ought to contribute much more to the tax base.

Concessionary tax cuts should not be only confined to specific industries but the burgeoning Internet economy which has the potential to add $100 billion to our economy must be included as well.

Appraising the performance of FBR, the speakers stressed upon the institution’s capacity constraints to meet the 5500 billion tax target largely because FBR has not evolved in line with our financial policy.

It was suggested that the FBR needs to introduce a Fiscal Register for the tax payers and there is a need for officers to be abreast of the world view and the modern methods of tax collection being exercised.

Another recommendation put forward was to conduct Data Mining in order to locate new tax payers with the assistance of NADRA.

The speakers recommended that the modus operandi of tax registration ought to be streamlined and made hassle free by FBR, in order to address the trust deficit between the tax payer and the tax collector or the government for that matter.

The government also needs to modernize the whole process of tax collection and tax refunds, along with limiting discretionary powers of the tax collector.

When the average Pakistani is confident that their tax is not slipping through the crevices in the system, and that they will reap the benefit in the shape of improved infrastructure, healthcare, employment opportunities, there will be behavioral and attitudinal changes in the public, it was stressed.

Enhancement of tax-to-GDP ratio which currently stands at around 10% to 13%, increased revenue collection free of corruption, widening of tax base were notified as key areas of interest for the purpose of redressing Pakistan’s shrinking economy.

It was concluded that such progressive measures will lead to an environment which will be the stimulus for economic revitalization and that Pakistan must make the most of the inflection point, as manufacturing units are being moved away to cheaper markets.

The roundtable also included Mr. Ayaz Asim, Chief Financial Officer APTMA, Dr. Bushra Yasmin, Chairperson Department of Economics, FJWU, Dr. Saima Shafique, Head Department of Economics, NUML and Dr. Muhammad Ali Syed, Senior Assistant Professor, Bahria University Islamabad

Dr. Karim Khan, Mr. Fuzail Zubaid Ahmad, Mr. Zil Ur Rehman Qureshi were also amongst the participants.

Massive improvement in revenue collection needed for economic progress

September 3, 2019

The Islamabad Policy Research Institute organized a Special Roundtable on Mechanism for Effective Revenue Collection in Pakistan: Ways and Means here in Islamabad today. The roundtable was chaired by Dr. Waqar Masood Khan, Former Federal Secretary for Finance Division, while Mr. Nisar Muhammad Khan, former Chairman FBR Dr. Manzoor Ahmad, Pakistan’s former Ambassador to WTO, Mr. Tariq Bajwa, Former Chairman FBR & former Governor, State Bank of Pakistan and Mr. Ali Arshad Hakeem, former Chairman FBR, were amongst the esteemed speakers.

The participants emphasized that taxation policies are part and parcel of the economic edifice of modern economies. Through the correct utilization of revenue generated by virtue of efficacious taxation policies, the aim is to establish sound governance and to prevent the scenario where an economy buckle sunder bloated debt. Contextualizing the matter in the case of Pakistan which has not had a primary surplus for many years, there was consensus amongst the participants that revenue collection is the remedy for several economic maladies that beset Pakistan including poor tax-to-GDP ratio and debt servicing which have marred the already stunted economy. Good governance, uninterrupted social service delivery, robust infrastructure development and controlled inflation can materialize through broadening the tax base.

Fiscal deficit was described as the mother of all evils in the case of Pakistan; identifying that the current government is trying to slash down on its expenditure but the revenue collection side of it needs to be addressed since last fiscal year alone witnessed a 1% decline in the revenues, and targets set for growth are no close to materialization.

In addition, the speakers also highlighted that direct taxes make up only around 34% compared to indirect taxes which were not only generally regarded as regressive but also contribute to low economic growth as it leads to multi-dimensional poverty; as the middle and lower strata of the society is at its receiving end.

Referring to ease of doing business; according to the World Bank Pakistan ranks 173 out of 190 countries. With that in mind, foreign investment cannot be brought into the country. Ease of doing business can be significantly enhanced by incorporating simplicity in tax policies, providing a level playing ground especially to small and medium-sized enterprises and cut down on tariffs which can also make goods competitive in the international market.
Analogies were drawn to Chile, Turkey and Vietnam which faced similar challenges of economic growth and tax collection but were able to bring about a major turnaround to the extent that at present Vietnam alone has exports nearing $200 billion.

Along with this, to improve revenue collection, Pakistan’s cash economy must be capitalized. Agriculture and the service sector ought to contribute much more to the tax base.

Concessionary tax cuts should not be only confined to specific industries but the burgeoning Internet economy which has the potential to add $100 billion to our economy must be included as well.

Appraising the performance of FBR, the speakers stressed upon the institution’s capacity constraints to meet the 5500 billion tax target largely because FBR has not evolved in line with our financial policy.

It was suggested that the FBR needs to introduce a Fiscal Register for the tax payers and there is a need for officers to be abreast of the world view and the modern methods of tax collection being exercised.

Another recommendation put forward was to conduct Data Mining in order to locate new tax payers with the assistance of NADRA.

The speakers recommended that the modus operandi of tax registration ought to be streamlined and made hassle free by FBR, in order to address the trust deficit between the tax payer and the tax collector or the government for that matter.

The government also needs to modernize the whole process of tax collection and tax refunds, along with limiting discretionary powers of the tax collector.

When the average Pakistani is confident that their tax is not slipping through the crevices in the system, and that they will reap the benefit in the shape of improved infrastructure, healthcare, employment opportunities, there will be behavioral and attitudinal changes in the public, it was stressed.

Enhancement of tax-to-GDP ratio which currently stands at around 10% to 13%, increased revenue collection free of corruption, widening of tax basewere notified as key areas of interest for the purpose of redressing Pakistan’s shrinking economy.

It was concluded that such progressive measures will lead to an environment which will be the stimulus for economic revitalization and that Pakistan must make the most of the inflection point, as manufacturing units are being moved away to cheaper markets.

The roundtable also included Mr. Ayaz Asim, Chief Financial Officer APTMA, Dr. Bushra Yasmin, Chairperson Department of Economics, FJWU, Dr. Saima Shafique, Head Department of Economics, NUML and Dr. Muhammad Ali Syed, Senior Assistant Professor, Bahria University Islamabad.

Dr. Karim Khan, Mr. Fuzail Zabaid Ahmad, Mr. Zil Ur Rehman Qureshi were also amongst the participants.