Media Coverage

PIDE – PRIME Press Conference at National Press Club, Islamabad on June 10, 2024

Web Coverage

Dawn

https://www.dawn.com/news/1839135/think-tank-calls-for-simplifying-tax-system

The News

https://www.thenews.com.pk/print/1199236-govt-urged-to-reduce-tax-rate-to-generate-more-revenue

Tribune Express

https://tribune.com.pk/story/2470896/local-experts-challenge-imfs-tax-plan-with-innovative-reforms

Jang

https://jang.com.pk/news/1359425

Business Recorder

https://www.brecorder.com/news/40307819

Pakistan Observer

https://epaper.pakobserver.net/popup.php?newssrc=issues/2024/2024-06-11/10045/7.jpg

Bol News

https://www.bolnews.com/business/2024/06/stable-predictable-tax-regime-and-not-ad-hoc-budgetary-measures-for-a-growing-young-economy-pide-prime-tax-reforms-commission/

Islamabad Post

https://islamabadpost.com.pk/stable-predictable-tax-regime-and-not-ad-hoc-budgetary-measures-for-a-growing-young-economy/

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https://inp.net.pk/news-detail/pakistan/stable-tax-regime-for-a-growing-economy-pide-prime-tax-reforms-commission

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Print Editions

INTERNATIONAL THE NEWS

Back Page - June 11, 2024

Govt urged to reduce tax rate to generate more revenue

By Mehtab Haider

ISLAMABAD: The Tax Reform Commission (TRC) jointly constituted by the Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) has asked the government to reduce tax rates of all major taxes and bring down the GST rate to 10 percent with Value Added Tax (VAT) mode, jacked up the ceiling of taxable income up to Rs0.8 million and reduce the number of slabs for income tax.

With the introduction of this rationalisation of all major taxes, the TRC has estimated that it could generate additional revenues of Rs4 trillion in three years over and above nominal growth in revenues.

It also recommends introducing constitutional amendments and bringing agriculture income under the domain of the federal government. In income tax slabs for salaried, AOPs, and for businesses, the number of slabs should be reduced.

Taxing all incomes equally and facilitating corporatization is crucial. There should be no new exemptions in the income tax system, and all sources of income need to be taxed. For equity reasons, the marginal income tax should increase. However, the effective income tax of AOPs and individuals should be lower than the corporate income tax to incentivize corporatization.

The commission proposes new income tax slabs while suggesting decreased effective tax rates. For example, on an annual income of Rs3.6 million, the effective tax rate should be reduced from 12% to 6.38 percent. Other recommendations include uniformity of the tax regime on all sources of personal and non-corporate incomes, including agricultural income; decreasing the corporate tax rate to 25 percent; withdrawal of deemed rental income tax, CVT, super tax, turnover tax, and presumptive/final tax; and restoration of investment credits for plant and machinery.

The Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) have collaborated to form a Tax Reforms Commission, comprising several eminent thinkers. These statements were made during a press conference at the National Press Club in Islamabad, where Dr. Nadeemul Haque, Vice Chancellor of PIDE, Dr. Ali Salman, Founder of PRIME, and Dr. Mahmood Khalid, Senior Research Economist at PIDE, addressed the audience.

Key problems and recommendations highlighted by the Commission include: reliance on tariffs is outdated. Pakistan has become increasingly isolated due to a closed economy. Strong policy commitment to openness is necessary to benefit from global trade. Decreasing tariffs has shown positive impacts on revenues and substantial reductions in smuggling and mis-invoicing. Zero-rated import of plant and machinery, industrial raw materials, and intermediate goods should be

Continued on page 9

Govt urged to reduce tax rate

Continued from page 12

implemented. Withdrawal of regulatory duty (RD), additional custom duties (ACD), and withholding income tax on imports is also recommended. The decades-old GST/VAT agenda needs to be firmly implemented.

Problems with sales tax registration, harmonization, digitization, and the refund system should be resolved this year. Key reforms include harmonization of GST/VAT and no new exemptions on GST except in areas such as education and health. A fully functional GST/VAT system must be a performance goal for FBR with consequences. With a good GST in place, we should consider lowering the rate. Existing literature indicates that countries like India, Georgia, and Mexico, which shifted from high GST (17 to 19%) to VAT with a low rate (7 to 10%), have experienced an immediate positive impact on the tax-to-GDP ratio by 3 to 4%. PIDE research shows that in the short run, on average, a 1% increase in GST increases revenues by 2%, while in the long run, FBR revenues tend to decrease by 4% rates. Over the long run, the goal should be a gradual reduction of VAT to 10 percent.

The withholding regime needs to be replaced with an advanced income tax regime. Excessive withholding taxation should be withdrawn, as it operates like an indirect tax and burdens businesses. Withholding should only apply to salaried individuals, while others should pay advanced tax based on 75% of the previous year's tax. Long-term reforms include reducing the number of withholding taxes and rolling back the WHT regime, except on payroll, interest, dividends, and payments to non-residents. Simplifying and lowering capital gains tax is necessary. Current collection is Rs10 billion only. Lowering the rate and improving collection can allow capital building. Tax exemptions should be removed, as they create distortions and uncertainty. Removing all exemptions, including those related to income tax, could increase FBR revenues by 37% and raise the tax-to-GDP ratio by 3.36%.

Tax administration reforms are long overdue. These reforms could increase tax revenues by 2-3 percent of GDP, as seen in countries like Jamaica, Rwanda, and Senegal. The commission recommends mandatory GST registration starting with commercial importers, wholesalers, and tier-1 retailers. Automation and digitization should reduce interaction between taxpayers and tax authorities.

The non-filer category should be abolished. Enhancing the capacity of PRAL is also necessary. A Pakistan Fiscal Policy Institute/Budget Office for budgetary and reform with teeth is needed. PIDE, PRIME, and other think tanks should be involved, ensuring that proposals and analyses reach the cabinet and parliament, playing a central role in policy, including international negotiations. The current whimsical approach must end.

DAWN

June 11, 2024

Think tank calls for simplifying tax system

By Khaleeq Kiani

ISLAMABAD: The newly formed Tax Reforms Commission — a joint venture of two state-run and private think tanks — on Monday called for a stable and predictable tax regime through simplification and harmonisation of the tax system instead of arbitrary budgetary measures targeted at revenue enhancement, to facilitate taxpayers and tax payments and build government trust.

A joint report prepared by the commission comprising economists nominated by the state-run Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) said the lenders prioritised revenue collection over growth and employment, but there were several flaws in the existing tax system.

"It is neither citizen-friendly, transparent, stable, nor predictable", said the commission. Faced with increasing budgetary difficulties, reliance on adhoc measures has grown, leading to arbitrary withholding income taxes, turnover taxes, taxes on deemed incomes, and arbitrary revisions of tax rates, it added and claimed that approximately 68pc of revenue was collected through excessive use of withholding and minimum tax regimes.

At the same time, the fragmented tax system, with numerous exemptions and rates, was creating complexity and confusion for taxpayers. "Problems include a broken refund system, high compliance costs, and a predatory tax authority". The budget period is marked by extreme uncertainty and speculation due to this approach to taxation. This arbitrary approach has resulted in numerous court cases and reversals of initiatives. "More taxes are not the solution to deep structural fiscal policy issues where expenditure control is not possible", the commission said.

The commission recommended simplification and harmonisation of the tax system to facilitate taxpayers and ease tax payments, which was more effective than arbitrary measures imposed annually. "Eliminating categories such as filer/non-filer and registered/unregistered for sales tax alone would compensate for many arbitrary tax measures".

It also called for reducing reliance on revenue collection through tariffs, additional customs duties, and other arbitrary measures, saying this had eroded confidence and closed the economy, leading to declining investment and growth. "Long-term goals should include openness with low tariffs, not arbitrarily disturbed by any government".

Moreover, automation and digitisation should be priority to eliminate direct interaction between taxpayers and the tax authority. "Transparency and digitisation are key for tax administration, along with necessary changes in human capital and FBR service organisation".

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It also called for reducing reliance on revenue collection through tariffs, additional customs duties, and other arbitrary measures, saying this had eroded confidence and closed the economy, leading to declining investment and growth. "Long-term goals should include openness with low tariffs, not arbitrarily disturbed by any government".

Moreover, automation and digitisation should be priority to eliminate direct interaction between taxpayers and the tax authority. "Transparency and digitisation are key for tax administration, along with necessary changes in human capital and FBR service organisation".

The commission said it had worked tirelessly to ensure that the proposed reforms did not result in revenue loss but would lead to revenue growth. The proposed policy relies on simplification, harmonisation, and improved FBR administration through digitisation. "Conservative estimates suggest direct revenue gains of at least Rs4 trillion in the first three years, with significant benefits to the economy in terms of higher investment, growth, and job creation", it claimed.

The report said that decreasing tariffs had shown positive impacts on revenues and substantial reductions in smuggling and mis-invoicing. It called for zero-rated imports of plant and machinery, industrial raw materials, and intermediate goods.

The think tanks also called for firm implementation of "the decades-old GST/VAT agenda". Problems with sales tax registration, harmonisation, digitisation, and the refund system should be resolved this year.

Key reforms also include harmonisation of GST/VAT and no new exemptions on GST except in areas such as education and health. A fully functional GST/VAT system must be a performance goal for FBR with consequences. "With a good GST in place, we should consider lowering the rate", it said, pointing out that countries like India, Georgia, and Mexico had shifted from high GST (17-19pc) to VAT with a low rate (7-10pc) and experienced an immediate positive impact on the tax-to-GDP ratio by 3-4pc.

More importantly, the report suggested that "taxing all incomes equally and facilitating corporatisation is crucial," adding that no new exemptions should be added to the income tax system. For equity reasons, the marginal income tax should increase, but the effective income tax of AOPs and individuals should be lower than the corporate income tax to incentivise corporatisation.

The commission proposed new income tax slabs while suggesting decreased effective tax rates. For example, on an annual income of Rs3.6 million, the effective tax rate should be reduced from 12pc to 6.38pc. It also recommended withdrawing deemed rental income tax, uniformity of the tax regime on all sources of personal and non-corporate incomes, including agricultural income, and decreasing the corporate tax rate to 25pc, besides removal of CVT, super tax, turnover tax, and presumptive/final tax, and restoration of investment credits for plant and machinery.

THE EXPRESS
TRIBUNE
June 11, 2024

Local experts defy IMF's tax plan

Promise Rs4.1tr revenue boost by lowering taxes, removing exemptions

SHAHBAZ RANA
ISLAMABAD

Contrary to the International Monetary Fund's (IMF) recommendation to increase tax rates in the next budget to collect an additional Rs2 trillion, Pakistan's renowned local experts on Monday unveiled a package that proposes generating Rs1.2 trillion more by reducing income tax rates while withdrawing some exemptions. A consortium of notable Pakistani tax experts and economists has prepared a package of tax reforms promising higher revenues without suffocating economic growth, businesses, and individuals.

These experts claim their proposed reforms would result in a net gain of Rs4.1 trillion over three years, equivalent to one-fourth of the 2022 tax base, without damaging the economy. This includes Rs1.2 trillion in gains in the first year from all four taxes. "The government should listen to its own people instead of hiring foreign advisors for preparing a 'home-grown package,'" said Dr Nadeemul Haq, Vice Chancellor of the Pakistan Institute of Development Economics (PIDE), while criticising the prime minister's decision to import experts from the United Kingdom to make a local plan.

The IMF has handed over a set of conditions to Pakistan that requires the imposition of additional taxes equal to Rs2 trillion to achieve the annual tax target of Rs13 trillion in the next fiscal year. The additional collection is sought by the IMF through increasing the tax burden on salaried and non-salaried individuals and withdrawing sales tax exemptions.

The local experts have made their efforts under the consortium of PIDE and the Policy Research Institute of Market Economy (PRIME) Tax Reforms Commission. The group includes heavyweights like former central bank governor Shahid Kardar, former IMF official Dr Nadeemul Haq, noted tax experts Dr Ikramul Haq and Syed Shabbar Zaidi, and former WTO official Dr Manzoor Ahmad. These intellectually powerful individuals have tried to offer a locally made solution compared to the imported recipes from the IMF and the UK's policy advisor Stefan Dercon.

Income Tax

The local experts propose that the government charge the same rate of tax regardless of the source of income. They suggest removing the exemption on agricultural income, including rental income on agriculture, through a constitutional amendment, thus making "income" a federal subject without any exemption. They advocate for uniformity in the tax regime for all sources of personal and non-corporate incomes—a proposal also part of the IMF's condition to tax all incomes regardless of the source.

However, contrary to the IMF's condition to increase the tax burden on individuals by raising their tax rate to a record 45%, the local experts suggest reducing the tax burden. They propose increasing the taxable income threshold from Rs600,000 to Rs800,000 and reviewing it periodically. For an income of Rs200,000, they propose a 5% tax, and for a monthly income of Rs400,000, the proposed rate is 12.5%, significantly lower than what the IMF is asking for. For a monthly income of Rs800,000, the local experts propose a 20% rate, while the IMF wants a 45% income tax rate on Rs467,000 monthly income. They suggest a 35% tax rate on a monthly income of over Rs2.5 million. However, they believe the effective tax rates for personal income should be 5 percentage points higher than the corporate income tax rate. The effective income tax rate under the current marginal tax slabs for higher incomes is lower than the corporate tax rate, incentivising businesses to remain unincorporated. The local economists demand that the corporate tax rate be decreased from 29% to 25%.

Another major recommendation includes the withdrawal of deemed rental income tax, Capital Value Tax, 10% super tax, 1.2% turnover tax, and an end to presumptive and final tax regimes. They call for the restoration of investment credits for plant and machinery and the reduction in the number of withholding taxes, proposing a complete rollback of the withholding tax regime except on payroll, interest, dividends, and payments to non-residents.

Approximately 68% of revenue is collected through withholding and minimum tax regimes, leading to inefficiencies and compliance challenges, said Ali Salman, Head of PRIME. The experts also demand an end to the non-filer category, which has been used to collect taxes instead of expanding the narrow tax base.

Despite these reforms, the local experts claim that the Federal Board of Revenue (FBR) will still achieve a Rs1.6 trillion net increase in income taxes over three years, including Rs246 billion in the first year. This includes a hypothetical Rs566 billion gain from businesses investing out of the savings from the reduction of tax rates and a Rs346 billion income tax gain from mandatory return filing and sales tax reforms.

Customs duty

Pakistan must adopt openness and abolish the policy of ad-hoc increases in regulatory and custom duties to meet budget targets, said Dr Haq. The experts propose abolishing regulatory duties, additional custom duties, withholding income tax, and sales tax on imports of capital goods and industrial inputs. The report states that eliminating exemptions and concessions will increase customs revenue. However, withdrawing regulatory and additional custom duties on imports will reduce customs revenue.

Despite potentially losing Rs996 billion in three years, the FBR will gain a net Rs314 billion due to the withdrawal of exemptions and recovering the true taxes in line with what the law requires, according to the report. They also suggest declaring zero-rated import of plant and machinery, industrial raw materials, and intermediate goods, and withdrawing regulatory and additional custom duties and withholding income tax on imports.

Compared to the world average of 5%, import taxes in Pakistan constitute 46%.

General Sales Tax

The local experts back the IMF's demand to end sales tax exemptions on GST except in areas such as education and health. "Pakistan has no clear tax policy—only measures sporadically introduced on an ad-hoc basis creating uncertainty and lack of trust," said Dr Haq.

The local experts believe that with GST reforms, Rs2.6 trillion can be collected, including Rs790 billion in the first year.

A consortium of local economists propose a new tax policy that offers more than Rs1.2 trillion in tax revenues next year by reducing the tax rates

DESIGN: IBRAHIM YAHYA

Daily Spokesman
Islamabad - Karachi - Lahore
June 11, 2024

PIDE, PRIME commission to review Pakistan's complex tax system–report highlights several flaws

Spokesman Report

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) have collaborated to form a Tax Reforms Commission, comprising several eminent thinkers. Currently, tax is a crucial issue in the media, and our lenders prioritize revenue collection over growth and employment. The commission highlights several flaws in the existing tax system. It is neither citizen-friendly, transparent, stable, nor predictable. Faced with increasing budgetary difficulties, reliance on ad-hoc measures has grown, leading to arbitrary withholding income taxes, turnover taxes, taxes on deemed incomes, and arbitrary revisions of tax rates. Approximately 68% of revenue is collected through excessive use of withholding and minimum tax regimes. The fragmented system, with numerous exemptions and rates, creates complexity and confusion for taxpayers. Problems include a broken refund system, high compliance costs, and a predatory Tax Authority. The budget period is marked by extreme uncertainty and speculation due to this approach to taxation. This arbitrary approach has resulted in numerous court cases and reversals of initiatives. More taxes are not the solution to deep structural fiscal policy issues where expenditure control is not possible.

According to the press release issued by PIDE, these statements were made during a press conference at the National Press Club in Islamabad, where Dr. Nadeem ul Haque, Vice Chancellor of PIDE, Dr. Ali Salman, Founder of PRIME, and Dr. Mahmood Khalid, Senior Research Economist at PIDE, addressed the audience.

The Commission has worked tirelessly to ensure that reforms will not result in revenue loss and will lead to revenue growth. The proposed policy relies on simplification, harmonization, and improved FBR administration through digitization. Conservative estimates suggest direct revenue gains of at least Rs 4 trillion in the first three years, with significant benefits to the economy in terms of higher investment, growth, and job creation.

Key problems and recommendations highlighted by the Commission include: reliance on tariffs is outdated. Pakistan has become increasingly isolated due to a closed economy. Strong policy commitment to openness is necessary to benefit from global trade. Decreasing tariffs has shown positive impacts on revenues and substantial reductions in smuggling and mis-invoicing. Zero-rated import of plant and machinery, industrial raw materials, and intermediate goods should be implemented. Withdrawal of regulatory duty (RD), additional custom duties (ACD), and withholding income tax on imports is also recommended. The decades-old GST/VAT agenda needs to be firmly implemented. Problems with sales tax registration, harmonization, digitization, and the refund system should be resolved this year. Key reforms include harmonization of GST/VAT and no new exemptions on GST except in areas such as education and health. A fully functional GST/VAT system must be a performance goal for FBR with consequences. With a good GST in place, we should consider lowering the rate. Existing literature indicates that countries like India, Georgia, and Mexico, which shifted from high GST (17 to 19%) to VAT with a low rate (7 to 10%), have experienced an immediate positive impact on the tax-to-GDP ratio by 3 to 4%. PIDE research shows that in the short run, on average, a 1% increase in GST increases revenues by 2%, while in the long run, FBR revenues tend to decrease by 4% rates. Over the long run, the goal should be a gradual reduction of VAT to 10%.

The commission has done extensive economic analysis to estimate revenue implications of these reforms. Reforms in customs tariff revenue, including withdrawal of concessions and exemptions, and reduction in under-invoicing and misdeclaration, could bring Rs 314 billion with 36.5% growth over three years. General Sales Tax reforms could yield Rs 2,566 billion in additional revenues with 33% growth in the tax base over three years. Improved compliance in FED could yield

Rs 48 billion in additional revenue over three years, assuming a 5% growth rate. Capital gains tax reforms might result in a 20% revenue reduction in the first year but would gradually return to existing levels within three years. Direct tax reforms are expected to result in Rs 1,545 billion over three years, assuming a 27.7% growth rate in the base. Overall revenue gains from tax rationalizations are projected to be approximately Rs 4 trillion, showing a 26% increase in the base over three years.

The PIDE-PRIME Tax Reforms Commission comprises eminent economists and tax experts, including Dr. Nadeem ul Haque, Vice Chancellor of Pakistan Institute of Development Economics (PIDE); Dr. Ali Salman, Executive Director of Policy Research Institute of Market Economy (PRIME); Mr. Shahid H. Kardar, Former Governor of the State Bank of Pakistan; Syed Shabbar Zaidi, Former Chairman of the Federal Board of Revenue; Dr. Ikram ul Haq, Advocate Supreme Court; Dr. Manzoor Ahmad, Senior Fellow at PIDE; Dr. Nasir Iqbal, Head of Macro Lab, PIDE; Dr. Mahmood Khalid, Senior Research Economist, PIDE; and Dr. Khalil Ahmad, Distinguished Research Fellow, PRIME.

Pakistan
OBSERVER

June 11, 2024

Economic experts call for stable, predictable tax regime for growing economy

STAFF REPORTER

ISLAMABAD

The Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) have collaborated to form a Tax Reforms Commission, comprising several eminent thinkers.

Currently, tax is a crucial issue in the media, and our lenders prioritize revenue collection over growth and employment. The commission highlights several flaws in the existing tax system. It is neither citizen-friendly, transparent, stable, nor predictable. Faced with increasing budgetary difficulties, reliance on ad-hoc measures has grown, leading to arbitrary withholding income taxes, turnover taxes, taxes on deemed incomes, and arbitrary revisions of tax rates.

Approximately 68% of revenue is collected through excessive use of withholding and minimum tax regimes. The fragmented system, with numerous exemptions and rates, creates complexity and confusion for taxpayers. Problems include a broken refund system, high compliance costs, and a predatory Tax Authority. The budget period is marked by extreme uncertainty and speculation due to this approach to taxation. This arbitrary approach has resulted in numerous court cases and reversals of initiatives. More taxes are not the solution to deep structural fiscal policy issues where expenditure control is not possible.

According to the press release issued by PIDE, these statements were made during a press conference at the National Press Club in Islamabad, where Dr. NadeemulHaque, Vice Chancellor of PIDE, Dr. Ali Salman, Founder of PRIME, and Dr. Mahmood Khalid, Senior Research Economist at PIDE, addressed the audience. They further stated that our approach emphasizes developing a predictable tax policy to build trust between citizens and the government. Key recommendations include simplification and harmonization of the tax system to facilitate taxpayers and ease tax payments, which is more effective than arbitrary measures imposed annually.

Eliminating categories such as filer/non-filer and registered/unregistered for sales tax alone would compensate for many arbitrary tax measures.

Reducing reliance on revenue collection through tariffs, additional customs duties, and other arbitrary measures has eroded confidence and closed the economy, leading to declining investment and growth.

Long-term goals should include openness with low tariffs, not arbitrarily disturbed by any government. Automation and digitization to eliminate direct interaction between taxpayers and the tax authority are crucial.

DAILY
METRO TIMES
PESHAWAR
Editor-In-Chief: NOUREEN AKBAR

June 11, 2024

PIDE, PRIME collaborate to form a tax reforms commission

MT REPORT

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) have collaborated to form a Tax Reforms Commission, comprising several eminent thinkers. Currently, tax is a crucial issue in the media, and our lenders prioritize revenue collection over growth and employment, according to a statement issued by PIDE here on Monday.The commission highlights several flaws in the existing tax system. It is neither citizen-friendly, transparent, stable, nor predictable. Faced with increasing budgetary difficulties, reliance on ad-hoc measures has grown, leading to arbitrary withholding income taxes, turnover taxes, taxes on deemed incomes, and arbitrary revisions of tax rates.Approximately 68% of revenue is collected through excessive use of withholding and minimum tax regimes. The fragmented system, with numerous exemptions and rates, creates complexity and confusion for taxpayers. Problems include a broken refund system, high compliance costs, and a predatory Tax Authority.The budget period is marked by extreme uncertainty and speculation due to this approach to taxation.

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LEAD Pakistan
Read to Lead

June 11, 2024

Stable, predictable tax regime urged

OUR CORRESPONDENT
ISLAMABAD

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They further stated that our approach emphasizes developing a predictable tax policy to build trust between citizens and the government. Key recommendations include simplification and harmonization of the tax system to facilitate taxpayers and ease tax payments, which is more effective than arbitrary measures imposed annually.

June 11, 2024

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ٹیکس ریفارم کمیشن کا تمام بڑے ٹیکسوں کی شرح کم کرنیکا مطالبہ

11 جون,2024

اسلام آباد (مہتاب حیدر) پاکستان انسٹی ٹیوٹ آف ڈویلپمنٹ اکنامکس (پائیڈ) اور پالیسی ریسرچ انسٹی ٹیوٹ آف مارکیٹ اکانومی (پرائم) کی جانب سے مشترکہ طور پر تشکیل دیئے گئے ٹیکس ریفارم کمیشن (ٹی آر سی) نے حکومت سے تمام بڑے ٹیکسوں کی ٹیکس شرح کم کرنے، اور ویلیو ایڈڈ ٹیکس (وی اے ٹی) موڈ کے ساتھ جی ایس ٹی کی شرح کو 10 فیصد تک لانے، قابل ٹیکس آمدنی کی حد کو 0.8 ملین روپے تک بڑھانے اور انکم ٹیکس کے سلیب کی تعداد کو کم کرنے کا مطالبہ کردیا۔ تمام بڑے ٹیکسوں کی اس معقولیت کے تعارف کے ساتھ ٹی آر سی نے تخمینہ لگایا کہ وہ تین سالوں میں 4 ٹریلین روپے کی اضافی آمدنی اور اس سے زیادہ آمدنی میں معمولی اضافہ حاصل کر سکتا ہے۔ اس میں آئینی ترامیم متعارف کرانے اور زرعی آمدنی کو وفاقی حکومت کے دائرہ کار میں لانے کی بھی سفارش کی گئی ہے۔ تنخواہ داروں، اے او پیز اور کاروبار کے لیے انکم ٹیکس سلیب میں سلیبز کی تعداد کو کم کیا جانا چاہئے۔ تمام آمدنیوں پر یکساں ٹیکس لگانا اور کارپوریٹائزیشن کو آسان بنانا بہت ضروری ہے۔ انکم ٹیکس کے نظام میں کوئی نئی چھوٹ نہیں ہونی چاہیے، اور آمدنی کے تمام ذرائع پر ٹیکس لگانے کی ضرورت ہے۔ ایکویٹی وجوہات کی بنا پر، معمولی انکم ٹیکس میں اضافہ ہونا چاہیے۔ تاہم، کارپوریٹائزیشن کو ترغیب دینے کے لیے اے او پیز اور افراد کا موثر انکم ٹیکس کارپوریٹ انکم ٹیکس سے کم ہونا چاہیے۔ کمیشن نے ٹیکس کی موثر شرحوں میں کمی کی تجویز دیتے ہوئے نئے انکم ٹیکس سلیبس تجویز کیے ہیں۔ مثال کے طور پر، 3.6 ملین روپے کی سالانہ آمدنی پر ٹیکس کی موثر شرح کو 12 فیصد سے کم کرکے 6.38 فیصد کیا جائے۔ دیگر سفارشات میں ذاتی اور غیر کارپوریٹ آمدنی کے تمام ذرائع پر ٹیکس نظام کی یکسانیت شامل ہے جن میں زرعی آمدنی؛ کارپوریٹ ٹیکس کی شرح کو 25 فیصد تک کم کرنا؛ ڈیمڈ ریئنٹل انکم ٹیکس، سی وی ٹی، سپر ٹیکس، ٹرن اوور ٹیکس، اور فرضی/فائنل ٹیکس کی واپسی؛ اور پلانٹ اور مشینری کے لیے سرمایہ کاری کے کریڈٹ کی بحالی شامل ہیں۔

June 11, 2024

ٹیکس ریفارم کمیشن کا تمام بڑے ٹیکسوں کی شرح کم کرنیکا مطالبہ

جی ایس ٹی شرح 10 فیصد تک لانے، انکم ٹیکس سلیب کی تعداد کم کی جائے، ٹی آر سی

اسلام آباد (مہتاب حیدر) پاکستان انسٹی ٹیوٹ آف ڈویلپمنٹ اکنامکس (پائیڈ) اور پالیسی ریسرچ انسٹی ٹیوٹ آف مارکیٹ اکانومی (پرائم) کی جانب سے مشترکہ طور پر تشکیل دیئے گئے ٹیکس ریفارم کمیشن (ٹی آر سی) نے حکومت سے تمام

بقیہ ٹیکس ریفارم **14**

بڑے ٹیکسوں کی ٹیکس شرح کم کرنے، اور ویلیو ایڈڈ ٹیکس (وی اے ٹی) موڈ کے ساتھ جی ایس ٹی کی شرح کو 10 فیصد تک لانے، قابل ٹیکس آمدنی کی حد کو 0.8 ملین روپے تک بڑھانے اور انکم ٹیکس کے سلیب کی تعداد کو کم کرنے کا مطالبہ کر دیا۔ تمام بڑے ٹیکسوں کی اس معقولیت کے تعارف کے ساتھ ٹی آر سی نے تخمینہ لگایا کہ وہ تین سالوں میں 4 ٹریلین روپے کی اضافی آمدنی اور اس سے زیادہ آمدنی میں معمولی اضافہ حاصل کر سکتا ہے۔ اس میں آئینی ترامیم متعارف کرانے اور زرعی آمدنی کو وفاقی حکومت کے دائرہ کار میں لانے کی بھی سفارش کی گئی ہے۔ تنخواہ داروں، اے او پیز اور کاروبار کے لیے انکم ٹیکس سلیب میں سلیبز کی تعداد کو کم کیا جانا چاہئے۔ تمام آمدنیوں پر یکساں ٹیکس لگانا اور کارپوریٹائزیشن کو آسان بنانا بہت ضروری ہے۔ انکم ٹیکس کے نظام میں کوئی نئی چھوٹ نہیں ہونی چاہیے، اور آمدنی کے تمام ذرائع پر ٹیکس لگانے کی ضرورت ہے۔ ایکویٹی وجوہات کی بنا پر، معمولی انکم ٹیکس میں اضافہ ہونا چاہیے۔ تاہم، کارپوریٹائزیشن کو ترغیب دینے کے لیے اے او پیز اور افراد کا موثر انکم ٹیکس کارپوریٹ انکم ٹیکس سے کم ہونا چاہیے۔ کمیشن نے ٹیکس کی موثر شرحوں میں کمی کی تجویز دیتے ہوئے نئے انکم ٹیکس سلیبس تجویز کیے ہیں۔ مثال کے طور پر، 6.3 ملین روپے کی سالانہ آمدنی پر ٹیکس کی موثر شرح کو 12 فیصد سے کم کر کے 6.38 فیصد کیا جائے۔ دیگر سفارشات میں ذاتی اور غیر کارپوریٹ آمدنی کے تمام ذرائع پر ٹیکس نظام کی یکسانیت شامل ہے جن میں زرعی آمدنی؛ کارپوریٹ ٹیکس کی شرح کو 25 فیصد تک کم کرنا؛ ڈیمنڈ ریٹل انکم ٹیکس، سی وی ٹی، سپر ٹیکس، ٹرن اوور ٹیکس، اور فرضی/ فائنل ٹیکس کی واپسی؛ اور پلانٹ اور مشینری کے لیے سرمایہ کاری کے کریڈٹ کی بحالی شامل ہیں۔

Daily Islamabad POST
June 11, 2024

Stable, predictable tax regime urged

Faisal Sheikh

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE) and the Policy Research Institute of Market Economy (PRIME) have collaborated to form a Tax Reforms Commission, comprising several eminent thinkers. Currently, tax is a crucial issue in the media, and our lenders prioritize revenue collection over growth and employment. The commission highlights several flaws in the existing tax system. It is neither citizen-friendly, transparent, stable, nor predictable. Faced with increasing budgetary difficulties, reliance on ad-hoc measures has grown, leading to arbitrary withholding income taxes, turnover taxes, taxes on deemed incomes, and arbitrary revisions of tax rates. Approximately 68% of revenue is collected through excessive use of withholding and minimum tax regimes. The fragmented system, with numerous exemptions and rates, creates complexity and confusion for taxpayers. Problems include a broken refund system, high compliance costs, and a predatory Tax Authority. The budget period is marked by extreme uncertainty and speculation due to this approach to taxation. This arbitrary approach has resulted in numerous court cases and reversals of initiatives. More taxes are not the solution to deep structural fiscal policy issues where expenditure control is not possible.

According to the press release issued by PIDE, these statements were made during a press conference at the National Press Club in Islamabad, where Dr. Nadeem ul Haque, Vice Chancellor of PIDE, Dr. Ali Salman, Founder of PRIME, and Dr. Mahmood Khalid, Senior Research Economist at PIDE, addressed the audience. They further stated that our approach emphasizes developing a predictable tax policy to build trust between citizens and the government. Key recommendations include simplification and harmonization of the tax system to facilitate taxpayers and ease tax payments, which is more effective than arbitrary measures imposed annually.

DAILY TIMES
The Voice of the Time
Tuesday
June 11, 2024

PIDE, PRIME collaborate to form a tax reforms commission

TIMES REPORT

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According to the press release, these statements were made during a press conference, where Dr. Nadeem ul Haque, Vice Chancellor of PIDE, Dr. Ali Salman, Founder of PRIME, and Dr. Mahmood Khalid, Senior Research Economist at PIDE, addressed the audience.The PIDE-PRIME Tax Reforms Commission comprises eminent economists and tax experts, including Dr. Nadeem ul Haque, Vice Chancellor of Pakistan Institute of Development Economics (PIDE); Dr. Ali Salman, Executive Director of Policy Research Institute of Market Economy (PRIME); Mr. Shahid H. Kardar, Former Governor of the State Bank of Pakistan; Syed Shabbar Zaidi, Former Chairman of the Federal Board of Revenue; Dr. Ikram ul Haq, Advocate Supreme Court; Dr. Manzoor Ahmad, Senior Fellow at PIDE; Dr. Nasir Iqbal, Head of Macro Lab, PIDE; Dr. Mahmood Khalid, Senior Research Economist, PIDE; and Dr. Khalil Ahmad, Distinguished Research Fellow, PRIME.

THE PRESS AND THE NATION RISE AND FALL TOGETHER
Today's Muslim
Every Morning From Peshawar
REGD NO. P/482 TUESDAY, JUNE 11, 2024

June 11, 2024

PIDE, PRIME collaborate to form a tax reforms commission

The Muslim Report

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BUSINESS RECORDER
Founded by M. A. Zuberi
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Long-term tax policy reforms recommended

Economists for flexible tariff system

ABDUL RASHEED AZAD

ISLAMABAD: Economists while recommending long-term tax policy reforms have urged the government to introduce and implement a flexible tariffs system in the country aiming at reducing reliance on revenue collection through higher tariffs, additional customs duties, and other arbitrary measures which have eroded the confidence, closed the economy as a result the investment and economic growth are continually declining in the country.

These policy recommendations were made by Dr Nadeem-ul-Haque, vice chancellor of Pakistan Institute of Development Economics (PIDE), Dr Ali Salman, Founder of Policy Research Institute of Market Economy (PRIME), and Dr Mahmood Khalid, senior research economist at PIDE while addressing a press conference, here on Monday.

They further recommended that the automation and digitisation to eliminate direct interaction between taxpayers and the tax authority were crucial. Transparency and digitisation are keys for tax administration, along with necessary changes in human capital and Federal Board of Revenue (FBR) service organisation.

They said that PIDE and PRIME had done extensive economic analysis to estimate the revenue implications of these reforms. As per the findings reforms in customs tariff revenue, including withdrawal of concessions and exemptions, and reduction in under-invoicing and miss-declaration, could bring Rs314 billion with 36.5 per cent growth over three years. General sales tax (GST) reforms could yield Rs2,566 billion in additional revenues with 33 per cent growth in the tax base over three years. Improved compliance in federal excise duty (FED) could yield Rs48 billion in additional revenue over three years, assuming a five per cent growth rate.

Capital gains tax reforms might result in a 20 per cent revenue reduction in the first year but would gradually return to existing levels within three years. Direct tax reforms are expected to result in Rs1,545 billion over three years, assuming a 27.7 per cent growth rate in the base. Overall revenue gains from tax rationalisations are projected to be approximately Rs4 trillion, showing a 26 per cent increase in the base over three years.

The commission highlights several flaws in the existing tax system. It is neither citizen-friendly, transparent, stable, nor predictable. Faced with increasing budgetary difficulties, reliance on ad-hoc measures has grown, leading to arbitrary withholding income taxes, turnover taxes, taxes on deemed incomes, and arbitrary revisions of tax rates.

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پائیڈ پرائم
ٹیکس نظام

اصلاحاتی کمیشن کی رپورٹ جاری کر دی گئی

کمیشن نے موجودہ ٹیکس نظام میں کئی خامیوں کی نشاندہی کی ہے یہ نہ تو شہری دوست ہے، نہ شفاف، نہ مستحکم اور نہ ہی قابل پیش گوئی

شہریوں اور حکومت کے درمیان اعتماد قائم ہو سکے، کلیدی سفارشات میں ٹیکس نظام کی سادہ سازی اور ہم آہنگی شامل ہے، ڈاکٹر محمود خالد

اسلام آباد (عظمت خان) پاکستان انسٹیٹیوٹ آف ڈویلپمنٹ اکنامکس اور پالیسی ریسرچ انسٹیٹیوٹ آف مارکیٹ اکانومی نے ملکر ایک ٹیکس اصلاحات کمیشن تشکیل دیا ہے، جس میں کئی ممتاز ماہرین شامل ہیں۔ اس وقت میڈیا میں ٹیکس ایک اہم مسئلہ ہے، اور ہمارے قرض دہندگان محصولات جمع کرنے کو ترقی اور روزگار پر ترجیح دیتے ہیں۔ کمیشن نے موجودہ ٹیکس نظام میں کئی خامیوں کی نشاندہی کی ہے۔ یہ نہ تو شہری دوست ہے، نہ شفاف، نہ مستحکم اور نہ ہی قابل پیش گوئی۔ بڑھتے ہوئے بجٹ کے مسائل کے پیش نظر، ایڈہاک اقدامات پر انحصار بڑھ گیا ہے، جس سے بے ترتیب انکم ٹیکس، ٹرن اوور ٹیکس، فرضی آمدنی پر ٹیکس اور ٹیکس کی شرح میں بے ترتیب نظر ثانی کی جاتی ہے۔ تقریباً 68% محصولات کا مجموعہ روکاوٹوں اور کم از کم ٹیکس کے زیادہ استعمال کے ذریعے ہوتا ہے۔ یہ ٹوٹا ہوا نظام، جس میں متعدد استثناء اور شرحیں شامل ہیں، ٹیکس دہندگان کے لیے پیچیدگی اور الجھن پیدا کرتا ہے۔ مسائل میں ایک ٹوٹا ہوا ریفنڈ نظام، اعلیٰ تعمیل اخراجات، اور ایک شکاری ٹیکس اتھارٹی شامل ہیں۔ بجٹ کا دورانیہ اس ٹیکس نظام کے نتیجے میں غیر یقینی صورتحال اور قیاس آرائیوں کا باعث بنتا ہے۔ اس بے ترتیب نظام کی وجہ سے متعدد عدالت کے کیسز اور اقدامات کی واپسی ہو چکی ہے۔ گہرے ڈھانچہ جاتی مالیاتی پالیسی کے مسائل میں خرچ کو کنٹرول کرنا ممکن نہ ہونے کی وجہ سے مزید ٹیکسز حل نہیں ہیں۔ PIDE کی طرف سے جاری کردہ پریس ریلیز کے مطابق، یہ بیانات اسلام آباد میں نیشنل پریس کلب میں ایک پریس کانفرنس کے دوران کیے گئے، جہاں PIDE کے وائس چانسلر ڈاکٹر ندیم الحق، PRIME کے بانی ڈاکٹر علی سلمان، اور PIDE کے سینئر ریسرچ اکانومسٹ ڈاکٹر محمود خالد نے سامعین سے خطاب کیا۔ انہوں نے مزید کہا کہ ہمارا نقطہ نظر ایک قابل پیش گوئی ٹیکس پالیسی تیار کرنا ہے تاکہ شہریوں اور حکومت کے درمیان اعتماد قائم ہو سکے۔ کلیدی سفارشات میں ٹیکس نظام کی سادہ سازی اور ہم آہنگی شامل ہے تاکہ ٹیکس دہندگان کو سہولت فراہم کی جا سکے اور ٹیکس کی ادائیگی کو آسان بنایا جا سکے، جو سالانہ عائد کی جانے والی بے ترتیب اقدامات سے زیادہ مؤثر ہے۔ سیلز ٹیکس کے لیے فائلر نان فائلر اور رجسٹرڈ/غیر رجسٹرڈ جیسے زمروں کو ختم کرنا بہت سی بے ترتیب ٹیکس اقدامات کا مداوا کرے گا۔ محصولات کی وصولی میں محصولات، اضافی کسٹمز ڈیوٹیز، اور دیگر بے ترتیب اقدامات کے ذریعے انحصار کم کرنا اعتماد کو کمزور کر چکا ہے اور معیشت کو بند کر چکا ہے، جس سے سرمایہ کاری اور ترقی میں کمی آئی ہے۔ طویل مدتی اہداف میں کم محصولات کے ساتھ کھلا پن شامل ہونا چاہیے، جسے کسی حکومت کی طرف سے بے ترتیب طور پر متاثر نہ کیا جائے۔ ٹیکس دہندگان اور ٹیکس اتھارٹی کے درمیان براہ راست بات چیت کو ختم کرنے کے لیے آٹومیشن اور ڈیجیٹائزیشن ضروری ہے۔ ٹیکس انتظامیہ کے لیے شفافیت اور ڈیجیٹائزیشن کلیدی ہیں، ساتھ ہی انسانی وسائل اور FBR سروس تنظیم میں ضروری تبدیلیاں بھی ضروری ہیں۔ کمیشن نے یہ یقینی بنانے کے لیے انتھک محنت کی ہے کہ اصلاحات کی وجہ سے محصولات کا نقصان نہیں ہوگا اور محصولات میں اضافہ ہوگا۔ مجوزہ پالیسی سادگی، ہم آہنگی، اور ڈیجیٹائزیشن کے ذریعے بہتر FBR انتظامیہ پر انحصار کرتی ہے۔ قدامت پسند تخمینوں کے مطابق پہلے تین سالوں میں کم از کم 4 ٹریلین روپے کے براہ راست محصولات حاصل ہوں گے، جس کے نتیجے میں زیادہ سرمایہ کاری، ترقی، اور روزگار میں اہم فوائد ہوں گے۔ کمیشن کی طرف سے نمایاں مسائل اور سفارشات میں شامل ہیں: محصولات پر انحصار پرانا ہو چکا ہے۔ پاکستان ایک بند معیشت کی وجہ سے مزید الگ تھلگ ہو چکا ہے۔ عالمی تجارت سے فائدہ اٹھانے کے لیے مضبوط پالیسی کمٹمنٹ کی ضرورت ہے۔ محصولات میں کمی کے مثبت اثرات سامنے آئے ہیں اور سمگلنگ اور غلط انوائس میں نمایاں کمی آئی ہے۔ پلانٹ اور مشینری، صنعتی خام مال، اور درمیانی اشیاء کی زیرو ریٹیڈ درآمد کو نافذ کیا جانا چاہیے۔ ریگولیٹری ڈیوٹی (RD)، اضافی کسٹم ڈیوٹی (ACD)، اور درآمدات پر انکم ٹیکس کی روک تھام کی واپسی بھی تجویز کی جاتی ہے۔ دہائیوں پرانی جی ایس ٹی/وی اے ٹی ایجنڈا کو مضبوطی سے نافذ کرنے کی ضرورت ہے۔ سیلز ٹیکس رجسٹریشن، ہم آہنگی، ڈیجیٹائزیشن، اور ریفنڈ سسٹم کے مسائل کو اس سال حل کیا جانا چاہیے۔ کلیدی اصلاحات میں جی ایس ٹی/وی اے ٹی کی ہم آہنگی اور جی ایس ٹی پر کوئی نئی استثناء شامل نہیں ہے سوائے تعلیم اور صحت کے شعبوں میں۔ ایک مکمل فعال جی ایس ٹی/وی اے ٹی سسٹم FBR کے لیے کارکردگی کا ہدف ہونا چاہیے جس کے نتائج ہوں۔ ایک اچھے جی ایس ٹی کے ساتھ، ہمیں شرح کو کم کرنے پر غور کرنا چاہیے۔ موجودہ ادب سے پتہ چلتا ہے کہ بھارت، جارجیا، اور میکسیکو جیسے ممالک نے جو اعلیٰ جی ایس ٹی (17 سے 19%) سے کم شرح (7 سے 10%) والی وی اے ٹی پر منتقل ہوئے ہیں، انہوں نے ٹیکس ٹو جی ڈی پی ریشو پر فوری مثبت اثر دیکھا ہے۔ PIDE کی تحقیق سے پتہ چلتا ہے کہ مختصر مدت میں، اوسطاً، جی ایس ٹی میں 1% اضافہ محصولات کو 2% بڑھاتا ہے، جبکہ طویل مدت میں FBR کے محصولات میں 4% کی کمی کا رجحان ہوتا ہے۔ طویل مدت میں، ہدف وی اے ٹی کی شرح کو 10% تک آہستہ آہستہ کم کرنا ہونا چاہیے۔

پائیڈ کے وائس چانسلر ڈاکٹر ندیم الحق پرائم کے بانی ڈاکٹر علی سلمان اور پائیڈ کے ریسرچ اکانومسٹ ڈاکٹر محمود خالد ٹیکس اصلاحات کے سلسلے میں بنائے گئے کمیشن کی سفارشات کے بارے میں پریس کانفرنس کر رہے ہیں