



## Tax Cheating?

Huzaima Bukhari

“The reward for saving money is being able to pay our taxes without borrowing.”

How many of us set apart some of our earnings for the purpose of fulfilling our tax obligations? We may save for the rainy day but we hardly ever hear of anyone saving to pay the tax authorities! This is the reason why there is such a thing as ‘withholding tax.’ The public in general, considers “withholding tax” as parallel or akin to income tax but something, which is not actually income tax. The fact is that withholding tax at source or collecting tax beforehand is merely a form whereby income tax is bit by bit, taken from the taxpayers.

The only thing good about those withholding taxes is that a fellow doesn't get so mad all at once.

In other words, the concept is that of ‘pay as you earn’ (PAYE) or ‘pay as you spend’ (PAYS). This way one does not have to produce a hefty sum at the time of filing one's annual tax return. It solves the problem for all those people who are unable to manage their funds diligently thus ending up with no liquidity for discharging actual tax obligation when filing return. This clearly indicates that the aim of withholding is to facilitate taxpayers rather than putting them in a complicated maze of keeping track of innumerable deductions/collections and their consequential implications vis-à-vis their actual tax liability.

The best tax law is the one that gets the most feathers with the least squawking.

This is where the quandary lies. What was introduced as a matter of convenience for taxpayers became an obsession with the tax authorities resulting in approximately 60 different provisions related to collection/deduction of income tax. Interestingly, these are mostly transaction or consumption based which means that not only do people pay tax on their actual income but the same tax-paid-income is again subjected to tax when they spend, say on buying a new car or paying their children's fees. So what started off as a transitional form of taxation for achieving the objective of formalization of economy has become a permanent legal fixture defying the entire philosophy of direct taxation.

### **One can be born free and then be taxed to death.**

What makes this even more painful is the ensuing legal complications with respect to such advance taxes that are forcefully extracted from even those who are neither liable to file return of income nor obliged to pay any income tax. These taxes could be adjustable, full and final or even minimum in nature, but how is the common man to know which is which? After all, how many are aware about their duties towards the State regarding payment of taxes and how many can actually afford the services of a professional tax consultant? How much has the government actually invested in educating the taxpayer other than terrifying them with dire consequences?

### **What's the definition of an accountant? Someone who solves a financial problem you didn't know you had in a way you don't understand.**

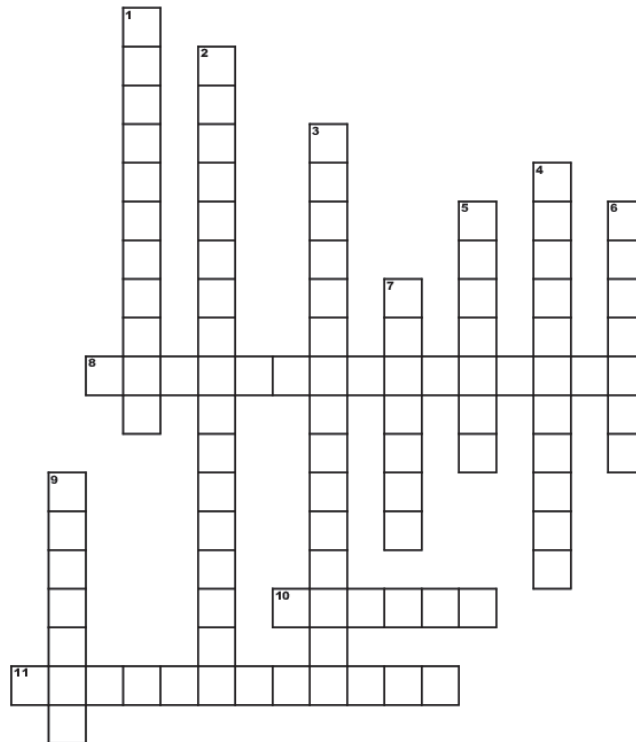
The fact is that why should those, who are not legally liable, be compelled to file returns only to take back what was extorted from them in the garb of withholding taxes? There are millions out there comprising labourers and those belonging to the lower trading class who have no clue that the government has robbed them of both their hard-earned money as well as their fundamental rights given to them by the constitution of this country. They are not educated enough to realize this but are made to bear the guilt of being proclaimed tax cheats by none other than those public functionaries who have swindled them in broad daylight in the name of law. While the so-called intelligentsia, the courts and the bar keep mum about the existing injustice, the poor and helpless are left with no option but to accept without any question whatever ordeal they are made to endure.

The reality is that almost 100 million unique mobile [total subscribers as on 31 August 2020 were 169 million as per data<sup>2</sup> available on website of Pakistan Telecommunication Authority, but many have more than one SIMs and some are dormant] users alone pay advance income tax despite the fact that majority of them is not enjoying taxable income. Law does not require them to file returns but they are dubbed as non-filers after tax is extorted from them in the name of advance income tax. Income tax is extracted from traders through electricity bills on the commercial meters installed at their business premises. Many may not even notice that they pay their tax when making payment of the bill. This constitutes minimum tax liability for those whose total electricity expense for the year is up to Rs. 360,000 and innumerable small traders, even those located in rural areas fall in this category. The issue is that the amount of tax taken in this manner might not be the actual tax liability in the case of such traders who are barely able to eke out a living. If their income falls below taxable limit, they are not entitled to any refund whatsoever. People cannot be deprived of money/property that they do not owe to the State yet they are accused of being tax cheats.

The general impression about tax functionaries is that they are highly corrupt, antagonistic and intimidating. As a result, the common perception is that it is better to stay away from the tax administration which is why people are willing to sacrifice their money for the sake of remaining hidden from the voracious eyes of the taxman. The common man claims that the government has failed to nab the rich and mighty who actually evade taxes, get billions of rupees worth loans written off, transfer heavy funds to off-shore accounts and the cherry on top is in the form of amnesties enjoyed on regular basis. What was the fate of nearly 3 million rich people about which an ex-Chairman of FBR claimed he had solid information about lavish living? Not a single evader has ever been prosecuted. In this situation all they can find are the poor and weak to milk dry cows, especially when they are deprived of universal entitlements.

The same is true for the tax advisors who are ready to fleece their client before being ripped apart by the revenue authorities. If these are the prevalent conditions then how can there be established a relationship of confidence between the government and the public? In the absence of this trust there is no way that the people will comply with their obligations openly. They will, however, continue to tolerate atrocities silently and be labeled as cheats. It is about time that we review our attitude, laws and procedure before hurling such allegations on the public.

## Budgeting and saving



**Across**

- 8. Money received from gifts, odd jobs, and so on**
- 10. Money received**
- 11. An unchanging expenditure**

**Down**

- 1. An amount of money spent**
- 2. An unforeseen cost.**
- 3. An expenditure that varies**
- 4. Money received after all adjustments and deductions are made**
- 5. Money that is not spent**
- 6. An itemized summary of probable expenditures and income for a given period**
- 7. The amount of money remaining after all expenses have been met**
- 9. The amount by which expenditures exceed income.**

**Word Bank**

- |                    |                  |               |                  |
|--------------------|------------------|---------------|------------------|
| fixed expense      | surplus          | expenditure   | irregular income |
| savings            | flexible expense | income        | deficit          |
| unexpected expense | budget:          | take-home pay |                  |

<sup>2</sup> <https://www.pta.gov.pk/en/telecom-indicators>. Details show that out of total 167 million subscribers, 85 million are 3G/4G subscribers, 3 million basic telephony subscribers and 87 million broadband subscribers.