“Is Pakistan dealing with taxes the right way during pandemic?”

Amena Urooj and Saud Ahmed Khan

Pakistan has always teetered precariously on the tightrope between utopianism and dystopianism, but now in the face of the economic danger to its economy thus presented by the recursive coronavirus, it might altogether find its feet forcibly pulled and dragged into the dystopian abyss. If poverty, corruption, and deprivation were not crippling enough as is, Pakistan has also to deal with the billions worth of debt it has amassed over the years at the same time as jostling to provide adequate healthcare. Institutions, businesses, and industries stand affected by the outbreak on a global scale, and the country faces an uphill battle for revenue generation, funding, and provisioning. As the conditions have changed dramatically, the need for revised counteractive policies and strategies has become apparent, especially around the country’s taxation policies which for a long time now, have drawn much ire and failed consistently to meet revenue goals.

Court extends stay order in Sharifs’ Jati Umra residence case (https://nation.com.pk/29-Apr-2021/court-extends-stay-order-in-sharifs-jati-umra-residence-case)

Speaking to the concerns of the public and to appease the wavering confidence of its investors, the government in June announced the budget for the fiscal year 2020-21. The budget, dubbed as “the Corona Budget” for the occasion, touted tax relaxations and rebates to support the sinking businesses and to ease life for the populace. The bill headlined an Rs56 billion tax relief for the industries stilled by the virus, reverberating friendliness towards cinemas, hotels, and banquet halls where it slashed the tax rates to 5 per cent for personnel recruitment services and entertainment duty. Also, to get a lift with the budget plan 2020-21 was the construction industry, accounting for the bread and butter of 30-35 per cent of the nation’s workforce, second only to the agriculture sector. Attempting to stimulate employment for the workers laid off during the pandemic, and to encourage

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investment, the government has made amendments to the tax ordinance granting several non-compulsory time-bound tax relief measures to developers and constructors undertaking to complete their projects by September 2022. The amendment also offers avoidance of audit regarding the source of investment upon the fulfilment of certain conditions. To ease tax paid upon property, the current regime proposed alterations to the Punjab Urban Immovable Property Tax Act. With these modifications, the taxpayer can now avail a discount of 5 per cent upon tax payment through e-payment channels, and a rebate equal to 10 per cent of annual tax if the said tax is paid aggregately by September 30, 2020. Furthermore, the government now provides the leverage to pay property tax on a yearly or half-yearly basis with no late payment charges for the duration of the pandemic. The Punjab Motor Vehicles Taxation Act has also been made to follow suit with similar changes to its policy code. Excise and Customs Duty Taxes have additionally been rationalized to promote cross border trade. Import taxes for pulses and vegetable oil have been marginalized to prevent price hikes. The government has also greenlit tax exemptions on 61 medical items and aims to cut down medicine prices for broader accessibility and penetration.

[India to use animal crematorium site as it struggles to cope with rise in COVID deaths (https://nation.com.pk/29-Apr-2021/india-to-use-animal-crematorium-site-as-it-struggles-to-cope-with-rise-in-covid-deaths)]

Rallying greater anticipation, however, was the government's approach towards the public sector? Does it succumb to the burden of IMF debt and respond by levying heftier, more cumbersome taxes on its already impoverished population, or does it implore relief and instead direct the funds towards overcoming the Corona crisis? It seems to have settled on the middle way. On the one hand, the new bill comes devoid of a new tax to add to the tax book, but on the other, the government did raise the tax revenue collection bar by Rs200 billion, suggesting a surplus of at least Rs120 billion in income tax and Rs80 billion in sales tax. Even though the cabinet took to the stage to dispel public fears about tax overburdening, an air of trepidation and scepticism still looms over the horizon.

From where it concerns healthcare, the government has opted to increase funding for hospital services by 130.55 per cent in an endeavour to combat the incremental surge of COVID-19 patients. In another bit of news, while the government struggles to maintain equilibrium between revenue generation and providing relief, the Federal Board of Revenue (FBR) looks to hit a home run after several years of running out. Despite, the negative growth and economic recession, the tax collection target for the fiscal year 2020-21 is set at Rs5,555 billion. The target for the fiscal year 2019-20 originally was revised twice to Rs3,908 billion which the FBR missed by Rs374 billion. For the year 2018-19, the FBR collected Rs3,828 billion against the twice revised target of Rs4,150 billion with a deficit of Rs322 billion. Given the FBR's track record of coming a day late and a dollar short, coupled with the havoc from the outbreak, the collection target for this year sounds implausible and far-fetched. Further giving credence to this discernment, is the fact that the budget plan laid down no groundwork to push for economic stability or growth. Revealing dubiety was none other than the financial advisor to the prime minister who went on to quote, "The budget is an aspiration for reaching any certain stage based on a certain assumption.


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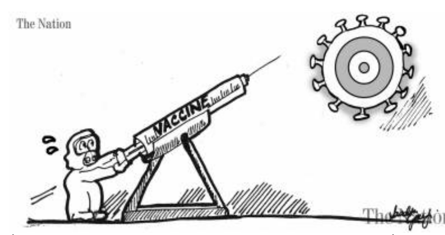

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It is not like a holy book that cannot be changed. It is not the budget of the 19th century but an evolving document that can be adjusted around the clock in line with ground realities.” Other governmental bodies seem to give off the same impressions.

Electioneering for NA-249 by-elections ends 48 hours before polling (https://nation.com.pk/29-Apr-2021/electioneering-for-na-249-by-elections-ends-48-hours-before-polling)

All things considered, one can surmise that the bills introduced by the government have only sought mere patchwork here and there to repair the sundering fabric of the economy. It does little in the way of coming up with innovative strategies to reverse the socio-economic downfall. Economists and tax experts have blamed the country’s dissymmetrical and convoluted tax system for many of the economic distortions, citing the need for a low rate, broad-based equitable tax system. They urge the government to reduce the sheer amount of taxes levied upon the middle-income households and businesses to ensure their revival and survival. The country also needs to make a shift towards a transparent corporatized economy by bringing the undocumented sectors under the tax-net rather than by overtaxing the few multinational corporations. The establishment should also focus on cracking down upon the tax cheats, tax frauds and tax evaders as opposed to yoking the law-abiding and tax-paying citizens. What we need is an even-handed tax ecosystem that works for all and sundry.

Shaukat Tarin to chair ECC meeting tomorrow (https://nation.com.pk/29-Apr-2021/shaukat-tarin-to-chair-ecc-meeting-tomorrow)

It hardly is surprising that the fiscal budget fails to address all these concerns. Pakistan has historically struggled with its policies. Previous regimes and budgets have displayed such a trend. This time, however, the stakes are much higher. Pakistan stands on the brink of a total financial breakdown, and half measures could have far-reaching consequences. To save the economy and to protect its reserves, the government must go the whole nine yards to initiate economic, political, and structural reforms across the board.

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