

Money Matters

Difficult path

The Federal Board of Revenue (FBR) is gearing up for a massive drive to bring in maximum people into the net and to raise tax collection.

The government has set a revenue collection target of 5.5 trillion rupees for the fiscal year 2019-20, which many critics believed was highly ambitious and cast doubts whether the FBR would be able to achieve this target as it miserably failed to meet the target for the past fiscal year.

The government has so far showed spine, and has refused to meet the demands of the traders despite their successful strike last month.

The FBR in a first step has decided to bring in all businesses, big and small, into the tax net by proposing a fixed tax rate.

A draft of the fixed tax rates for small businesses has been released by the FBR for public debate, which would then be placed before the Federal cabinet for the approval.

According to the draft, four categories with fixed tax rates ranging from 20,000 to 40,000 rupees per annum depending on the size of the businesses were proposed.

The trader bodies have generally opposed the government's plans and are planning another strike to press for their demands.

Such schemes were also introduced in the past, but could not take off because of the pressure put on the government by the traders. However, this time around, the government has, so far, refused to budge from its position.

One of the reasons for the government's stiff position is the support it has drawn from the powerful institutions of the country to implement much-delayed and unpopular decisions to fix the ailing economy.

While the government must do what is needful, in a democratic set up, such actions are taken after taking into account all political forces.

A political consensus must be evolved in the parliament to carry out the reform agenda otherwise it runs the risk of getting bogged down in the political expediencies.

Buoyed over by the defeat of the opposition's no-trust motion against Chairman Senate Sadiq Sanjrani, the government seems in no mood to open a dialogue with the opposition to discuss its reform agenda, at least in the near-future.

Previously, there has been a debate on evolving a charter of economy in order to discourage politicisation of the vital economic issues.

However that move was nipped in the bud because of the wide rift between the government and opposition.

The government needs to ensure a genuine debate on its proposals and avoid doing anything in haste as it runs the risk of being reversed in future. The government should once again invite trader bodies for negotiations to take into confidence on its reform measures, as any attempt to push its measures through force could backfire.

Documentation of the economy, widening of the tax base, and promotion of tax culture are vital for the economic uplift of the country, as no nation could survive without contributing its share in such efforts.

Pakistan's tax to GDP ratio is amongst the lowest in the world. Corruption and tax evasion are rampant in the country and Prime Minister Imran Khan very correctly underscores the need for promoting tax culture in the country.

The political opposition should also extend its support to the government's genuine efforts in this regard without taking political considerations into account.

The economy needs to be fixed through homegrown measures. Historically, successive governments have avoided taking painful economic measures to fix the economy on permanent basis, as they did not want to risk any political difficulties for them.

However, unpopular and tough decisions could not be delayed inordinately. Time has come for the country's leadership to take all necessary measures to get out of the economic morass.

Besides revenue collection, phenomenal increase in exports is another major challenge for the country.

One year has already passed and the government's efforts to raise exports have yet to bear some fruits.

The government has admirably been succeeded in bringing down the current account deficit but it has been done mainly through controlling the imports, while no tangible results have been achieved on exports issue.

The zero-rating issue for the exporters has yet to be resolved and there are growing fears that the government might not be able to achieve its export targets if these problems remain unresolved.

If the government did not genuinely address such issues, the protesting sectors might join hands to put pressure on the government and might also win the political backing.

Therefore, it is advisable for the government that it should take genuine steps to address these issues on priority basis.

Traditionally, the governments lose their focus on economic issues if they face political challenges. Thus, it is imperative that the government focuses on the economy and keeps it on top of its list of priorities.

Though the government has succeeded in salvaging the economy from total meltdown, it should know that economic bailout and bilateral assistance it has received from outside have been linked to serious political issues.

Any lacking to address the concerns of the international community might cast its shadow on its efforts to revive the economy.

The US State Department in a recent off-the-record briefing to journalists has made it clear that improved Pakistan-US ties are linked to irreversible action against militant organisations.

The government's action would come under serious scrutiny in the Financial Action Task Force (FATF) meeting in September.

Pakistan has to come up with a solid plan of action to meet the demands of the international community, particularly the United States in order to get it off the "grey" list of terror financing countries.

US President Donald Trump has hailed Pakistan's efforts to support Afghan reconciliation by facilitating talks between Afghan Taliban and the Afghan government.

Similarly, he also appreciated Pakistan's efforts to rein in militants at home like detention of founder of Jamat ud Dawa Hafiz Saeed.

Pakistan needs to keep taking all measures at the economic as well as security fronts to ensure political and economic stability in the country as well as in the region. Naya Pakistan can only be built if we rectify the past mistakes!

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