

## **Taxes and business**

IN his meeting with Karachi business leaders from trade and industry on Wednesday, Prime Minister Imran Khan did the right thing by resisting their demands and standing by the economic plan that his government has committed itself to in its latest budget; it has made a similar commitment to the IMF. Some of the matters raised by industry can be resolved since they require little more than administrative tweaks. But others that have a direct revenue impact must be met with a sceptical eye. Chief among those deserving sceptical treatment at this point are the traders, and other service-sector stakeholders. For years, this has been the fastest-growing segment of Pakistan's economy; today it accounts for more than half of our total GDP. But their contribution to the country's taxes has not kept pace, to the point where today the services sector contributes less than a quarter of the total taxes collected. This has to be rectified.

Over the past two decades, successive governments have tried a number of strategies of dealing with the services sector, particularly the traders and retailers, to get them to become members of the country's taxpaying population. They have launched aggressive drives, tried persuasion, pleaded with them, reformed the tax machinery and simplified and automated tax-filing systems, and used smart incentives coupled with amnesties and penalties to gently coax them into complying with the tax rules. But the traders have proved a supremely obstinate lot, impervious to all efforts. In their defence, they bring forth arguments that may sound fair on the surface, but that no ruler could possibly accept. For example, they complain of corruption in the tax machinery and shakedowns by the local government authorities. But accepting these arguments would mean nobody should pay any tax. The government can discuss their situation, but should not compromise on its demand that they register themselves. There is no longer an excuse for the trader community to argue that they will not pay their share of tax.

But on his part, the prime minister should understand that this effort will require concerted action by his government, as well as the ability to work and coordinate closely with the local authorities. In order to make progress on this aggressive revenue-collection drive that he is now presiding over, he will need to get his public message across beyond waving his fist at the opposition. In his press conference immediately following the meetings, he returned to the political rhetoric that he resorts to at every opportunity he gets, about not cutting a deal with the opposition. This was no time for politics. It would have been better for him to have mounted a more mature and less combative effort immediately following the meetings in Karachi to explain to the public why the revenue drive is necessary.

Editorial