

Revenue matters

Many have questioned how the government will hit the Rs5,500 billion tax collection target it has set for itself for FY 2019-20. The budget speech itself came under criticism for focusing on increasing consumption tax as well as increasing taxation on the salaried classes. Major changes are needed – and on Wednesday Finance Adviser Dr Hafeez Shaikh announced one. The government is set to get rid of the difference between filer and non-filer. The distinction has been used to charge differential tax rates to both categories, effectively increasing the tax burden on non-filer for the purchase of automobiles and properties. Getting rid of the distinction, Shaikh says, would force non-filers to register as tax filers. A new IT-based system will mean that non-filers will be given 45 days after a major purchase, such as a car or real estate, to get themselves registered in the tax net. If they don't comply, they will be issued a summons, which will get them in trouble with the law. This system will only work if all the parts work effortlessly, which is not something that the tax apparatus has shown itself to be capable of doing in the past, especially last year.

This is why, while it is reassuring to hear Shaikh talk about the willingness to offend the rich to increase taxation, the question of 'how' will be answered in practice. Pakistan may not be able afford to default on debt-servicing, but the bigger problem is still the Rs3,100 billion budget deficit that the finance adviser has offered no solution for. It was good to hear Shaikh accept that the inquiry commission on debt will also include the PTI's 10 months in power.

The basic principle of the debt commission is fine. It would be better if tax replaced debt to fund public spending. No one has denied this. The problem has been how to make the richest in Pakistan contribute their due share in taxation. As it stands, it still appears that the bulk of the increased tax burden will fall on the salaried and the poor. The salary slabs for salaried individuals have been pushed up while the minimum income to pay income tax has been reduced. These measures have generated controversy because they have reinforced the idea that it is the salaried classes that bear the greatest part of the tax burden. What is most worrying is that even if the tax collection target is met, the government could be looking at borrowing around Rs3,000 billion again next year to cover the fiscal deficit. This is a cause for concern that needs to be addressed.

Editorial