

FBR's tax directory: the story of association of persons

The story of tax collected from associations of persons (AoPs) is little different from the story of tax collected from firms incorporated with the Securities and Exchange Commission of Pakistan.

Total tax collected from the AoP grew about 50 percent in the fiscal year ending June 2017. That's solid growth compared to last three years' when tax collections from AoPs had grown 12 percent, 36 percent and 22 percent in FY16, FY15 and FY14 respectively. However, this 50 percent increase comes largely on the back of phenomenal jump in tax collected from four AoPs: (a) Pak Gas Corporation; (b) CR20G-ZKB KLM Joint Venture; (c) ZKB Reliable JV; and (d) Limak JV ZKB.

SUMMARY INFORMATION OF TAXES PAID BY AOP FILERS FY13 to FY17																								
	Tax Paid (Rs in mn)					% share of total tax paid					Number of tax return filers					% share of tax filers					Increase/decrease in filers			
	FY17	FY16	FY15	FY14	FY13	FY17	FY16	FY15	FY14	FY13	FY17	FY16	FY15	FY14	FY13	FY17	FY16	FY15	FY14	FY13	FY17	FY16	FY15	FY14
Less than zero	0.00	0.00	0.00	0	-0.0004	0%	0%	0%	0%	0%	21,688	17,819	18,267	14,731	15,960	28%	26%	24%	26.1%	28.2%	4,067	2,352	546	1,278
Zero	0.12	0.12	0.11	0.10	0.14	0%	0%	0%	0%	0%	265	214	202	187	201	0%	0%	0%	0.0%	0.0%	11	12	15	14
1,000 or less	4.00	3.82	3.70	3.49	3.75	0%	0%	0%	0%	0%	1,367	1,308	1,143	1,095	1,184	2%	2%	2%	2.7%	2.9%	158	66	48	10
1,001-5,000	12.00	10.48	9.88	9.81	10.30	0%	0%	0%	0%	0%	1,586	1,452	1,302	1,205	1,304	3%	3%	3%	3.2%	3.4%	134	160	7	10
5,001-10,000	182	183	181	184	144	0%	0%	0%	0%	0%	8,815	8,764	8,600	8,072	5,250	12%	14%	11%	14.9%	12.9%	51	95	167	822
10,001-50,000	248	221	206	178	191	0%	0%	0%	0%	0%	3,431	3,089	2,950	2,471	2,480	6%	6%	6%	6.1%	6.1%	362	213	385	11
50,001-100,000	2,163	1,821	1,744	1,643	1,642	3%	3%	4%	4.7%	6.7%	8,603	7,420	7,251	6,514	6,477	16%	16%	16%	16.0%	15.9%	1,243	168	737	37
100,001-500,000	2,572	3,347	2,508	2,844	2,505	3%	4%	4%	5.9%	7.3%	3,557	3,240	2,913	2,844	2,939	8%	7%	7%	7.0%	7.2%	312	332	68	10
500,001-1,000,000	21,790	19,010	18,130	14,583	12,271	27%	26%	26%	41.5%	42.6%	7,368	6,516	6,175	5,028	4,304	17%	17%	14%	12.3%	10.0%	852	341	1,147	434
1 mn - 50 mn	17,306	14,751	11,817	8,857	6,238	22%	20%	21%	34.6%	31.8%	666	745	633	473	333	2%	2%	1.4%	1.6%	0.0%	123	152	160	140
50 mn - 100 mn	6,620	4,484	3,974	3,500	1,575	8%	8%	9%	9.3%	9.4%	87	67	61	44	24	0.17%	0.14%	0.13%	0.17%	0.06%	30	6	17	20
100 mn - 500 mn	9,467	8,173	7,191	3,807	4,064	12%	10%	11.0%	10.3%	16.2%	50	40	41	18	20	0.08%	0.08%	0.06%	0.04%	0.00%	10	1	23	2
500 mn - 1 bn	1,805	2,358	2,340	1,508		2%	4%	4.3%	2.2%		3	4	4	2		0.01%	0.01%	0.00%	0.00%		1	0	2	2
1 bn to 10 bn	3,727					0%					5					0.01%								
More than 10 bn	14,736					19%					1					0.00%								
Total	80,500	63,360	47,806	35,167	28,828	100%	100%	100%	100%	100%	65,768	48,364	44,817	40,764	40,888	100%	100%	100%	100%	100%	7,396	3,847	3,793	68

Source: IIR Research calculations based on IIR Tax Consolidated FY13, FY14, FY15, FY16 & FY17.

Together these four AoPs had paid Rs1.1 billion in taxes in FY16. In FY17 their combined tax paid stood at Rs18.4 billion accounting for about 23 percent of total AoP tax collection in FY17 (the next 150 AoP contributed 22% of total AoP tax in FY17). Sans the growth in tax collected from these four AoPs, total collection from AoPs in FY17 was 19 percent rather than 50 percent. This begs the question who these firms are. ZKB – an abbreviation of Zahir Khan & brothers – is a company of engineers and consultants involved in infrastructure projects, having worked for the NHA, CDA, LDA and government of Punjab.

The real mystery is Pak Gas Corporation. In FY16 that AoP paid Rs3.3 million in taxes; in FY17 it paid a whopping Rs14.7 billion – which roughly makes it billion-dollar (in revenues) company. For comparison sake, Pakistan State Oil (PSO) paid Rs10.1 billion in taxes in FY17 according to the tax directory, whereas the country's biggest bank – Habib Bank Ltd – paid Rs16.7 billion in taxes in FY17. Google search reveals precious little about this mysterious AoP called Pak Gas Corporation, nor do initial channel checks in oil and gas industry lead to any insights about the company.

In terms of number of tax filers within AoP category, FBR managed to expand the tax net to 55,760 filers in FY17, up 15 percent over the year before. However, the quality of that expansion remained poor with 55 percent of the increase in filers falling in the 'zero return' category. This is worse than the performance in FY15 when nearly a third of increase in filers fell in the bracket that paid between 1-10 million rupees.

However, in the absence of data pertaining to the total number of AoPs in the country, their sector-wise classification, active versus non-active status, their district wise location and so forth, any analysis of tax directory on AoP is an exercise of limited utility. It is hoped that the ruling party will not only widen the tax net but also improve the information basis for analyses based on which further the strategy for reforms and policy could be formulated.