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IMF for uniform tax rates, single administration

ISLAMABAD: The International Monetary Fund (IMF) has asked the federal government and provinces for uniform tax rates and a single tax administration, instead of two or three tax authorities in every province, under harmonization of tax system between the center and provinces.

Earlier, the visiting IMF team discussed harmonization of taxes between the provinces and federation with the Federal Board of Revenue (FBR) and now the IMF Mission Chief Ernesto Ramirez Rigo during a briefing by the provinces on the subject matter underlined the importance of harmonization of taxes.

The meeting was chaired by Advisor to Prime Minister on Finance Abdul Hafeez Shaikh on Friday and was attended by the Fund staff level team and the provincial ministers from Punjab, Khyber Pakhtunkhwa and Balochistan as well as officials from Sindh, who shared their experiences and briefed the IMF Mission Chief about various measures and strategies put in place in their respective provinces to achieve better fiscal and budget management.

The meeting reviewed the implementation of fiscal policies in the provinces under the IMF Program, revenue target of the Federal Board of Revenue and primary deficit agreed with the Fund under \$6 billion extended fund facility.

The IMF Mission Chief stressed the need for full use of development budget to achieve the development goals. He also underscored the need for harmonization in the tax system and creation of a single tax base as it directly impacts the ease of doing business and goes a long way in creating an enabling business environment and boosting confidence of the investors and businessmen.

Ernesto said that Pakistan has a continental size of economy, much like the Western Europe where everybody has the same definition of the tax rate and services, and the same could be achieved in Pakistan through uniform tax rates and a single tax administration instead of two or three tax authorities in each province.

He appreciated the current level of understanding between the centre and provinces and hoped such efforts would continue to build consensus and bring about greater harmony through a harmonized mechanism.

Adviser to the Prime Minister on Finance and Revenue Dr Abdul Hafeez Shaikh said the federal and the provincial governments are in a continuous dialogue to improve coordination and create harmony on issues related to fiscal and budget management, multiplicity of tax rates and reconciliation of input adjustment.

He stated that harmonization of taxation and other fiscal issues within the constitutional framework was a challenging process but a continuous dialogue and coordination between the centre and the provinces and among the provinces as well resulted in better budget and expenditure management.

Shaikh said that while definitional issues related to what constitutes a service and what rate of tax should be applied to it in different regions are also being resolved in a spirit of mutual understanding and accommodation.

Punjab Finance Minister Makhdum Hashim Jawan Bakht, Khyber Pakhtunkhwa Finance Minister Taimur Saleem Khan Jhagra, Balochistan Finance Minister Zahoor Ahmed Buledi, Federal Secretary Finance Naveed Kamran Baloch, Special Secretary Finance Sindh Baqir Abbas Naqvi, senior officials from the Finance Division and local IMF officials were also present in the meeting.