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Editorial

No new taxes, please

Just a couple of days ago, we had hoped that the IMF would take a lenient view of the economic crisis Pakistan is facing. But those hopes were dashed as newspapers reported that the IMF wants the government of Pakistan to impose new taxes to meet revenue targets. The Federal Board of Revenue (FBR) is reported to have informed the IMF that imposing more taxes or increasing imports will raise inflation. The FBR appears to be right in its insistence that in view of an already increasing inflation it would be unwise to extract more money from the people. With its chairman on leave and the government apparently hunting for a new person to lead it, the FBR has gone through a lot during the 18 months since the PTI-led government assumed power in the country. In the absence of proper planning, just headhunting and rolling has not helped much.

As a tough taskmaster, the IMF is reported to have fixed a target of Rs3,520 million by the end of the third quarter of this fiscal year. The FBR has been trying to convince the IMF to reduce the revenue target but the IMF appears to be bent upon imposing new taxes. On its part, the FBR has already realized the impossibility of achieving the original targets set in the budget last year for the fiscal year ending in June 2020. The reduction made by the FBR is reported to be from Rs300 billion to Rs400 billion. The government had set the revenue target for the fiscal year 2019-20 at a staggering Rs5,250 billion. Now with the proposed reduction by the FBR it is hovering around Rs4,800 billion. If the FBR is able to collect Rs3,520 by the end of the third quarter it will be nearly 75 percent of the reduced target for the year.

There are a couple of questions here. First, right from the beginning some senior economic experts of the country – such as Dr Hafeez Pasha and Dr Kaiser Bengali – had pointed out that the targets being set were unrealistic and that they would cause more problems than offer solutions to the economic woes of the people and strain the capacity of the FBR to a breaking point. Second, they had also hinted that the IMF has a one-size-fits-all approach across the world, and is least concerned about the hardships people face. The months gone by have proved these concerns right. Now, the proposal to impose new taxes must be resisted. We need to reduce unproductive expenses so that some larger chunks of the budget are available for bolstering the agricultural and industrial sectors that in turn contribute to more tax generation. Without addressing this fundamental flaw in our economic and financial management, more taxes will cause tremendous harm to the economy.