

By Shahbaz Rana

### **PTI govt writes off Rs90b income tax**

ISLAMABAD: The federal government has written off Rs90 billion worth of income tax in the current fiscal year in favour of charitable organisations, rich people who donated money in charity and institutions engaged in commercial activities in the name of philanthropy.

The Rs90-billion income tax exemption in favour of a handful of organisations is more than the Rs70 billion that the Pakistan Tehreek-e-Insaf (PTI) government has allocated in the federal development programme to fight the Covid-19 pandemic across the country.

The official record of the Federal Board of Revenue (FBR) showed that the income tax credit and exemption from total income tax payments was given under Section 100-C that deals with non-profit organisations, Section 61 (tax exemption on charity) and Section 66 (income tax exemption for certain institutions).

The official data showed that Rs21.2 billion had been waived in favour of non-profit organisations. Another Rs4.6 billion was waived in favour of people who gave donations to various charitable organisations and Rs64.2 billion worth of income tax was exempted for just 37 enterprises including the State Bank of Pakistan (SBP).

A debate has begun after the government proposed to completely exempt the income of Lahore University of Management Sciences (LUMS) – a leading and credible educational institution in Pakistan – from taxes.

Earlier, LUMS was getting conditional income tax credit under Section 100-C but now the government has brought it under Section 66 of the Second Schedule of Income Tax Ordinance where it has been given complete immunity.

“We as a nation have to decide whether to promote the culture of paying taxes or culture of giving charity,” remarked Dr Ikramul Haq, a lawyer of Supreme Court of Pakistan and a leading tax expert.

He said many of these charitable institutions were abusing their status by putting donations in profitable ventures like schools and micro-financing at very expensive rates. Salaries of their directors run into millions of rupees.

“The idea that charity can help alleviate the suffering and provide relief for the poor is quite preposterous since it relies on the whims and discretion of the donor. Take the case of micro-financing,” wrote author Huzaima Bukhari in an article appeared in an English daily last month. She cited Britain’s one-time prime minister Clement in her article, who said, “Charity is a cold, grey, loveless thing. If a man wants to help the poor, he should pay his taxes gladly, not dole out money at a whim.”

### **Exemption from Section 66**

Under Section 66 of the Second Schedule of the Income Tax Ordinance, the income of about 67 entities has been exempted from income tax.

Out of these, 37 availed cumulative income tax exemption of Rs64.2 billion in the outgoing fiscal year, showed the official documents.

Some of these entities, like Abdul Sattar Edhi Foundation and Shaukat Khanum Memorial Hospital, are serving the humanity and deserve tax exemptions. However, there are many entities that are in the list because of their connections to the top offices and FBR headquarters.

The SBP got the maximum Rs50.2 billion in income tax exemption and the Water and Power Development Authority got Rs8.4 billion in tax exemption. The Abdul Sattar Edhi Foundation, Karachi availed Rs689 million in income tax exemption and Bilquis Edhi Foundation, Karachi got Rs395 million worth of exemption.

The Pakistan Engineering Council, a commercial entity, got Rs184 million worth of income tax exemption, the Institution of Engineers Pakistan, Lahore also availed Rs11 million worth of exemption.

The Liaquat National Hospital Association, Karachi got Rs224 million in income tax exemption. The Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT, which is serving the humanity, got Rs840 million in income tax exemption.

Pakistan Poverty Alleviation Fund got Rs312 million worth of income tax exemption, but it is a commercial entity. The National Rural Support Programme, another commercial entity, got Rs510 million in income tax exemption.

The Shaukat Khanum Memorial Trust received Rs141 million in income tax exemption, Saylani Welfare International Trust got Rs34-million exemption, Layton Rahmatullah Benevolent Trust secured Rs47-million income tax exemption, Kidney Centre Post Graduate Training Institute got Rs75-million exemption, Forman Christian College Rs30 million, Habib University Foundation Rs25 million, Begum Akhtar Rukhsana Memorial Trust Hospital Rs21 million, Al-Khidmat Foundation Rs18 million, Dawat-e-Islami Trust Rs512 million and Akhuwat Rs148 million.

## Section 61 (donations)

Out of the 44 entities listed to receive tax-free donations, about half of these received donations and the government waived Rs4.6 billion in favour of their donors, according to the FBR's working.

The Supreme Court of Pakistan Diamer-Bhasha and Mohmand Dam donations cost Rs2.13 billion in income tax. Donations to Al-Akhuwat cost Rs134 million worth of tax loss to the exchequer. The cost of donations to Layton Rahmatullah Benevolent Trust (LRBT) was Rs227 million.

Similarly, the FBR waived Rs13 million on donations to Sindh Institute of Urology and Transplantation, Rs41 million on donations to Aziz Tabba Foundation and Rs23 million on donations to Al-Shifa Trust Eye Hospital. The Indus Hospital, Karachi donations' cost was Rs186 million, donations to Shaukat Khanum Memorial Trust, Lahore caused Rs681 million loss and Fatimid Foundation, Karachi donations' cost was Rs19.2 million.

Total tax losses in the outgoing fiscal year amounted to Rs1.15 trillion and 7.8% were on account of charitable work and institutions involved in commercial activities, according to the Economic Survey of Pakistan.