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### **FY18: 91% of Pakistan's companies paid less than Rs1m in taxes**

ISLAMABAD: The federal cabinet has permitted to publish the tax directory for last year of the Pakistan Muslim League-Nawaz (PML-N) government, as the details reveal some interesting patterns about the skewed tax system and profitability of the individuals and companies.

The 1.13 million salaried persons paid Rs129 billion in income tax, on an average Rs114,000 per person. Similarly, the 1.41 million individuals doing business paid Rs185 billion in income tax, with an average of Rs131,000 per person.

The difference between average tax paid by a salaried person and businessman was not much, suggesting either the businesses were not making money or they were evading taxes.

There were also less than 3,400 companies that paid more than Rs7 million annual income tax in fiscal year 2017-18, which coincided with the last year of the PML-N government.

The cabinet approved, this week, two separate summaries of the Federal Board of Revenue (FBR) through circulation among the ministers. The tax authorities had moved the summaries to secure cabinet's nod for publication of tax directories of the parliamentarians and all taxpayers for tax year 2018, which is the fiscal year 2017-18. The fiscal year 2017-18 had ended in June 2018.

The PTI government has also not published the tax directory for its first year in power - fiscal year 2018-19. The date for filing the income tax returns for fiscal year 2019-20 that too ended two months ago is September 30 but the FBR has not yet been able to finalise the income tax return, which delays the filing.

The Income Tax Ordinance of 2011 binds the tax authorities to protect the details of the taxpayers but its section 216 allows the federal government to publish particulars and amount of taxes paid by the taxpayers, including parliamentarians.

According to the analysis submitted for the information of the cabinet, about 2.65 million individuals and companies had submitted their income tax returns. These included 1.13 million salaried persons, over 1.4 million non-salaried individuals, only 43,191 companies and 62,950 Association of Persons.

All these individuals and entities had paid Rs887 billion in income tax in tax year 2018, which was less than one-fourth of total tax collection in that year. The PTI government had missed the annual tax collection target during its first year in power despite bringing two mini budgets.

About 43,191 companies paid Rs497 billion income tax, bringing per company tax payment at Rs11.5 million. But 91% of the total companies that submitted their income tax returns paid less than Rs5 million per company tax, which also indicates either low profitability or avoidance and evasion of taxes.

There were over 35,000 companies - or 80% of the total companies that submitted refunds - that paid less than Rs500,000 income tax in fiscal year 2017-18. Another 1,147 companies paid more than Rs500,000 but less than Rs1 million in income tax.

About 889 companies paid between Rs1 million to Rs1.5 million annual income tax, 1,339 companies paid less than 3 million per entity annual income tax and 884 firms paid up to Rs5 million annual income tax. In Pakistan - a country of over 207 million people, there were only 3,359 companies that paid more than Rs7 million in income tax in fiscal year 2017-18. The region-wise break-up of income tax returns filed and tax paid also show some interesting trends. But the numbers of total income tax returns filed and region-wise returns did not match, as the region-wise return were about 400,000 less than total income tax returns filed. One possibility could be manual returns, which might not have been updated by the tax authorities.

Maximum number of returns -1.36 million - were filed by people who reside in Punjab. But the highest amount of tax was paid by those people who live in Sindh, according to the FBR's analysis. About 632,583 returns were filed from people and companies in Sindh and they paid Rs349 billion in income tax. From Islamabad Capital Territory, there were 115,000 returns and the filers paid Rs115 billion in income tax, according to the FBR's analysis. About, 133,745 returns were filed from Khyber-Pakhtunkhwa and they paid Rs29 billion income tax. The returns from Balochistan stood at only 35,000 and the amount of tax was Rs13 billion, according to the FBR's working.