

Mobile tax

If government wanted to give the impression that it wants to attract investment and people to Pakistan, the newly imposed 'mobile tax' works against any such notion. The new tax on using unregistered mobile phones in the country could make anyone planning to visit Pakistan think twice before booking a flight. Designed to stop the smuggling of mobile phones into Pakistan, the new mobile tax seems like the perfect idea. It uses the fact that digital technologies are trackable on internet and telecom networks to allow the government to effectively 'block' the phones. The decision appears to be a great victory on paper – which is why neither the government nor the FBR have backed down, despite concerns being voiced about the new taxation policy. The government describes the advantage to be simple: the Pakistan Telecommunication Authority (PTA) can shut down what it estimates to be millions of mobile phone sets that have been brought into the country without paying tax. The trouble is that the same point can be seen as a disadvantage. Millions of mobile phones could be rendered useless in a single day, with the cost to the economy going into the tens of billions.

Effectively, it means that many mobile phones could need to be replaced with legally imported mobile phones. It should be obvious to point out that Pakistan does not manufacture mobile phones. Given the fact that the country faces a massive trade deficit, the additional import of millions of mobile phones into the country to replace the ones rendered useless will be a cost higher than the tax the government believes it can collect using the move. Reportedly, some in the PTA have been opposing the measures, which not only impose exorbitant duties on imported mobile phones, but mean that overseas Pakistanis will have to queue up to register their phones. The amount of time required at customs is set to increase from minutes to hours with the amount of checking required – which would almost make it seem like bringing a phone into Pakistan is a crime.

Registering all phones is in itself a terrible idea and should have been nipped in the bud much earlier. Instead of moving Pakistan into the digital age, the government intends to set it back. It should look at the consequences of the withholding tax on banking transactions, which led to a growth in the informal economy, as an example for what not to do. The PTA has claimed that the country could get 'international awards for this system.' Taxation and security objectives are being muddled for the worst. The government would be wise to reconsider.

Editorial