

Case for fair taxation

In Pakistan, taxpayers' money is not spent for the purpose it is collected. It is wasted and/or abused mercilessly. A big chunk of it goes for debt servicing, defence and for giving tax-free extraordinary perks and perquisites, and/or concessional plots and unthinkable luxuries to the privileged classes. In democratic countries, people enjoy many benefits in lieu of taxes paid by them. They get good facilities of health, education, justice, transport, housing and pension benefits, just to mention a few. In Pakistan, taxpayers are harassed, condemned and citizens are denied fundamental needs (universal entitlements). Therefore they find it worthless, rather irritating, to pay to the government, though Pakistanis still are among the leading philanthropists of the world.

The donors and lenders, International Monetary Fund (IMF), Asian Development Bank (ADB), the World Bank (WB) and Department for International Development (DFID), etc., hardly mention the oppressive side of our tax system and non-availability of public services. They are very fond of discussing 'low-tax-to-GDP ratio' in isolation. Initiatives like Research and Advocacy for the Advancement of Allied Reforms (Raftaar), funded by DFID, have been continuously emphasising the need for more revenues, without pointing out where the taxpayers' money goes to. Not a single report/study of these agencies/bodies mentions that the ruling elites-real beneficiaries of tax money-also thrive on funding/aids/grants/loans extended by them. On the contrary, they support the elites and give them more money for further luxuries, personal gains and/or wastage but burden the poor Pakistanis with more regressive and oppressive taxes.

When the IMF, ADB, the WB and DFID abuse Pakistanis of not paying taxes, they conveniently ignore that about 95 million unique mobile users are paying 12% advance, adjustable income tax! Majority of these have below taxable income!! Taxpayers and people of Pakistan are justified to pose a question: Can you please first identify the real beneficiary of taxpayers' money and cost to national exchequer in providing free perks to militro-judicial-civil-complex and public office holders in the form of palatial residences, army of servants, expensive cars, golf courses, rest houses, foreign tours, banquets, etc? The concerned citizens rightly argue that the government should first stop the colossal wastage of funds and then debate the issue of tax-to-GDP ratio (Incorrigible elites, Business Recorder, September 12, 2014).

Billions have been collected as super tax, imposed under section 4B of the Income Tax Ordinance, 2001, for rehabilitation of Internally-displaced Persons (IDPs) in the wake of Zarb-e-Azb. Where has this money gone? Can the Government explain the reasons for perpetual plight of IDPs despite super tax imposed initially for one-time levy in 2015 but then extended till 2020 on the income of Rs 500 million or above of individuals, association of persons and companies, and on banking companies, irrespective of the quantum of income. Super tax was levied in 2015 at the rate of 4 percent for banking companies and at a rate of 3 percent for persons other than banking companies. Later, rates were reduced till 2020 through the Finance Act 2018. In budget documents for fiscal years 2015-16 to 2018-19, there is no mention where the collection under section 4B was kept (in a separate account for IDPs?) and whether it was expended exclusively for the purpose for which it was collected. It is a test case for Oxfam Pakistan and Human Rights Commission of Pakistan (HRCP) and other like bodies to probe how public money has been squandered by the rulers whereas people entitled to receive it as tax contributed by various entities are suffering untold miseries.

The representatives of HRCP and others engaged in fighting for human rights should visit camps of IDPs in North Waziristan(<https://www.youtube.com/watch?v=Kb5nKTv-nRM>) and elsewhere to find out their plight and investigate the reasons for abuse of tax, exclusively collected in their name. The FATA Research Centre in 'The Plight of NW IDPs: No Identity-No Relief' has observed:

"Facing utmost despondency, the IDPs have been forced into a life of suffering and despair, while trying to survive under the most dismal of conditions deemed possible. Even more distressing is the fact that these

poor people are almost ignored in the media, given very little coverage and acknowledgement, and where outsiders are failing to realise just how deeply harrowing their - the IDPs - situation is. These are people who have been forced to leave their homes - their comfortable dwellings - in order to make a living in sordid camps, just to survive a war that has unjustly swept the region, and taken over their lives, causing nothing but misery and chaos."

The plight of IDPs, levy of super tax and abuse of funds collected under this head should be a test case for the government of Imran Khan and DFID's funded initiatives for tax reforms (sic) and others. These agencies happily give money to Federal Board of Revenue (FBR) for reforms (sic) and ignore the vital question of abuse of taxes by the ruling elites. They never talk about unbearable burden of oppressive taxes borne by the poor and their miseries, and in contrast to that the life of luxury enjoyed by politicians and bureaucrats funded by taxpayers' money and grants/aids/loans!

Raftaar in its 2015 Paper 'Pakistan Public Expenditure: Insights and Reflections', warned that "because of low tax collection, Pakistan's debt burden has reached crisis levels". However, it failed to mention that low tax collection was due to imprudent policies and appeasement of tax evaders and looters of national wealth. Raftaar did not bother to search for answers to vital question: Why have donors and lenders been giving money to rulers when they persistently failed to collect taxes from the rich and mighty? The IMF, ADB, WB and DFID know that a fair tax system can easily fetch Rs. 8000 billion at federal level alone. But this requires fundamental reforms as suggested in Towards Flat, Low-rate, Broad and Predictable Taxes (PRIME, 2016). It is obvious that the donors/lenders and their cronies in Pakistan will not support any such reforms, knowing that it will make Pakistan a self-reliant country and end their control and that of elites they support.

The so-called reforms agenda of donors/lenders and our ruling elites, including the present government, will never include actions such as monetization of all perks and benefits available to militro-judicial-civil complex and commercial utilisation of expensive properties occupied by them that can bring enormous funds to the government to retire debts as well as future savings of billions and regular income as explained in detail by Dr Nadeem Ul Haque in his book, 'Looking Back: How Pakistan Became an Asian Tiger by 2050'.

Raftaar in 'Pakistan Public Expenditure: Insights and Reflections' pointed out that "more than 53% of federal government's expenditure is incurred on interest payments, defence, and the wage bills".

Paying taxes, people say, is meaningless and unjustified when the State is indifferent towards public welfare and elites blatantly show apathy towards their fundamental needs. Our rulers live lavishly while Pakistan ranks at 150 out of 189 countries in the 2017 Human Development Index (HDI). Not less than 25 million children are out of school in Pakistan in gross violation of Article 25A of the Constitution-see detailed judgement of Supreme Court 2014 SCMR 396 re Petition regarding miserable conditions of schools.

The World Bank report, 'World Development Indicators (WDI) 2017', shows that "one-third of Pakistan's population continues to live in poverty, corresponding to some 50 million poor individuals. Women and children (out-of-school/working), disabled, and potentially the elderly, are the most vulnerable groups of poor." Out of these, not less than 15% live below \$1.90 per day, which is categorised as extreme poverty. Millions suffering from hunger, malnutrition and diseases, are deprived of basic facilities of life. In the face of these grim realities, daily expenses of the Prime Minister Secretariat were Rs 2.5 million in 2017. In fiscal year 2008-09, these were only Rs 600,000 per day-there was an increase of over 250% in five years when country was under democratic rule! What makes the situation more painful is the fact that overwhelming majority of members of national and provincial assemblies and senators pay laughable amounts as income tax when compared with their lavish style of living (Tax Directories of Parliamentarians for 2013 to 2016 testify to it).

Organisations like HRCP, Oxfam Pakistan, 'Raftaar', 'Make Tax Fair', 'Pakistan Tax Justice Network', 'Tax Justice Coalition' and others must campaign for a just tax system for all. Towards Flat, Low-rate, Broad and Predictable Taxes (PRIME, 2016) suggests that every individual having taxable income must pay 10% flat income tax subject to alternate minimum tax of 2.5% of net wealth. Corporate and other entities must pay 20% tax. Harmonised Sales Tax (HST) should be imposed at 10% across the board. There should be single agency to collect all taxes and national tax court, having registries in all major cities to decide tax disputes within six months. If these measures are implemented, there will be collection of over Rs 8 trillion at federal level, making Pakistan a welfare state, prosperous and self-reliant.

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