

Prudent economic management must to get out of trouble

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LAHORE: A prudent and professional approach could take Pakistan out of trouble in the next five years.

A glimpse of what can be expected from this government has come from its leader's interaction with businessmen and traders.

A few days before general election, Pakistan Tehreek-e-Insaf (PTI) chairman Imran Khan addressed Lahore traders where he promised that the tax rates would be reduced after enlarging the tax base.

It is pertinent to note that traders are notorious for evading taxes and documentation of the economy.

Although the traders showed their full support for PTI, its chairman subtly made it clear that when PTI assumes power they will have to come under the tax net.

This clear thinking is a good omen from the party even before coming to power. Traders prefer indirect taxation that helps them conceal their income and pass on the entire impact of indirect taxes to the consumers.

Under this process, they do not have to provide details of their purchases and sales. They simply inform the Federal Board of Revenue (FBR) about their annual turnover and pay one or 1.5 percent tax on it. This is their final tax liability.

They do not pay any income tax and recover the entire turnover tax they pay from the consumers.

All previous attempts to properly document the traders have failed. Even Pervez Musharraf at the height of his power in early 2000 succumbed to traders' pressure by agreeing to tax them on annual turnover basis without any documentation.

Earlier, these traders went on 24 days shutter down strike (the longest in our history) when Musharraf conducted tax survey to bring traders under the tax net.

Traders account for 16 percent of our gross domestic product, but the indirect turnover tax they pay is less than two percent of national tax revenue.

If Imran succeeds in increasing their share in tax revenues to 10 percent of the total taxes, the tax revenues would grow by eight percent under this head only. It means an addition of Rs320 billion in the tax revenue.

When Asad Umer (the expected finance minister) visited All Pakistan Textile Mills Association (Aptma) a few months back, a textile tycoon gave him an impressive presentation about the problems faced by the basic textile sector.

The same presentation was also given to Pakistan Peoples' Party finance wizard Salim Mandviwala, who totally agreed with the point of view of the textile millers.

Asad Umer, however, smelled the vested interest concealed in the presentation.

He pointed out to the textile millers that some of their demands were against the interest of the value-added apparel sector.

He was the only politician who realised that the problems of textile sector cannot be resolved by accepting the point of view of one subsector. He spoke candidly and explained to them that if voted to power, the PTI would take all stakeholders into confidence and arrive at a viable solution in the best national interest.

Asad Umer knows the way the Aptma manoeuvres its case, as he saw the gas supplies of the fertiliser sector suspended to ensure gas supplies to textile mills.

He was at that time heading Engro group and managed Pakistan's largest state of art urea plant which was closed down because of the disrupted natural gas supply, a basic raw material for the sector.

The expected new ruling party also enjoys the services of Jehangir Tarin who is a very successful businessman and an expert in industrial planning.

He was the architect of Sunder Industrial Estate and other well-managed industrial estates in Punjab. He could guide his party on better industrialisation in the country.