



Alternative tax avenues

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THE country has been experimenting with tax reforms for long but without positive results. In fact, economic conditions due to frequent taxation manoeuvrings have remained unstable. So far, efforts to enhance the rate margins have not paved the way for the enhancement of the the tax base. As a result, those who were not paying or paying less are still enjoying exemptions or concessions while regular taxpayers are being pressed harder.

Citizens may be encouraged to pay tax by being granted facility of refunds. This may be given to a favoured industry or a certain class of persons who are not part of the tax base.

Similarly, the broadening of the tax base can be ensured by introducing alternative minimum tax. This type of tax can be imposed on individuals or the class of persons who are paying no tax or at a lesser rate. The minimum tax shall incorporate all classes in the tax base. Also, it will ensure that all those who are capable of paying the tax are at least taken under the minimum tax policy. In this way, no one would be able to avoid direct tax.

Similarly, the government should introduce two per cent refund of the value-added tax (VAT) on production of original receipts showing deduction of VAT. In this way, more and more consumers will demand proper receipts on every purchase and the government shall benefit in extensive tax base.

All these steps require the will of the government. Once the government is able to document all the transactions, tax revenues will increase automatically and indirect tax collection will be curtailed. This will also help the government reduce its dependence on loans and grants.

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