

Tax revenue rises 106 percent in last five years

Page NO.15 Col No.01

KARACHI: Tax-to-GDP ratio increased to 13.7 percent from 9.8 percent in the past five years of Pakistan Muslim League (Nawaz) government, while tax revenue climbed 106 percent due to reforms initiatives and growth in economic activities, official documents showed on Thursday.

Tax revenue rose to an estimated Rs4 trillion for the current fiscal year from Rs1.94 trillion in 2012/13. The government had constituted Tax Reform Commission (TRC) to review direct and indirect taxes, rationalise import tariff, review autonomy and administrative structure of the Federal Board of Revenue (FBR), and create border force to deal with the illegal movement of individuals and goods.

The TRC submitted its recommendations about reforms in FBR in February 2015 to the government.

The government constituted an implementation committee, headed by Advisor to the Prime Minister on Revenue for reviewing the recommendations of TRC.

Elimination of statutory regulatory order (SRO) culture is another major decision of the PML-N government. SROs/concessions worth more than Rs290 billion have been withdrawn during three years, commencing from 2014/15 to ensure level-playing field for all taxpayers.

However, socially-sensitive and essential concessions have been retained and transposed to the relevant laws. Currently, the FBR does not have the power to issue any concessionary SROs. The power to issue SROs now rests with the Economic Coordination Committee of the Cabinet.

The government significantly reduced the corporate tax rates to 30 percent from 35 percent in the past five years. Corporate tax rate would further reduced to 25 percent by tax year 2023. Import tariff of 30 percent was reduced to 20 percent.

The PML-N government, during its tenure, introduced Benami Transactions (Prohibition) Amendment Bill 2016, which was passed by National Assembly and Senate.

The law will help the authorities curb property holding in the name of others.

The major initiatives of the government are to increase cost of business for non-compliant taxpayers. The present government created difference in withholding tax rates for filers and non-filers through Finance Act 2015.

The step was taken to encourage people to file income tax returns. Differential taxation for filers and non-filers increased number of filers to more than 1.4 million in FY2018 from around 750,000 in FY2013.

Different rates of adjustable withholding of income tax for the income tax filers and non-filers on certain transactions were introduced to broaden the tax net.

The FBR is also using third party data to broaden tax base. Initially, the objective was to register 300,000 new taxpayers in three years.

FBR issued 513,468 notices and enforced 203,701 income tax returns during the past five years under the drive to broaden tax base, according to the documents.