



Be a part of history:

Tell the Ministry of Finance & Federal Board of Revenue and Parliament of Pakistan that you support pro-poor/fair taxation system.

Message Subject:

I support to make fair taxation system- No indirect taxes, No GST, No Tax on Poor.

Your Message to the Tax Reforms Commission

I strongly support Tax Justice Campaign's objectives;

1. Gradual and phased abolishment of pro-rich regime of Exemptions/SRO's. There are a number of Exemptions and SRO's which are Issued by the GOP from time to time, therefore there is a need for replacing the current SRO issuance- mechanism by vesting these powers in the Parliament of Pakistan for right to life. Indeed; target would be to systematically reduce the current level of 17% GST level progressively and to commensurate with the withdrawal of exemptions during next 5 years.
2. Broadening the Tax base.
3. Ensuring systematic enhancement in sectors percentage budgetary allocation of available GDP for education, health and social development.

Name

Email

Address

Do you agree on recommendations?

Any comments

Our communities, our families and our children are counting on your leadership. Please, Note "we say No to Indirect tax"; border the tax base and increase percentage.

powers in the Parliament of Pakistan for right to life. Indeed, targeting current 17% GST level to progressively be reduced to commensurate with the exemptions withdrawn in 5 years.

This will enable revenue mobilisation. The burden of domestic revenue mobilization should not fall disproportionately on the poor, as a matter of justice, it is essential that national tax system provides for appropriate levels of direct taxes, such as from land/property and from non-tax revenues i.e. extractive industries. In simple words this means that the tax revenues should be derived from progressive corporate and personal income tax rather than shifting the tax burden from the richest to the poorer through unjust GST system of collecting revenue. The current system of exemptions and SROs negate this philosophy however. Therefore, the burden is shifted from richest to the poorer for shouldering the burden of the richest, when a country opts for GST, which Pakistan unfortunately has chosen for.

2) Broadening the Tax Base

A conservative estimate is that potentially 5 million persons are qualified enough by all means of tax standards for bringing into income tax net. Therefore the gap seems to be very wide and so far the corrective measures have not produced the desired results for one or other reasons. One major reason for the failure in bridging the gap is the lack of trust between the taxpayer and government. All the attempts in the past for building this trust could not be successful mainly because the instruments used for expending the net were weak enough and not fully backed by the policy makers in the letter and spirit.

3) Ensuring systematic enhancement in percentage budgetary allocation of available GDP for education, health and social development sectors

There is a big gap in the virtual demand of finances for the development of pro poor sectors like education and health and social development and what is being allocated is simply due to paucity of funds. World over, the priorities of development have tended to shift to include more and more segment of population in the growth process whereby education, health and social sector have seen tremendous development in many of the developing countries. Pakistan's orientation in

this arena remains poorly focused. Sometimes, it looks that these sectors are receiving bleak attention simply because the governments are short sighted and they do not see the benefit of investing in these sectors considering that these programs do not produce results in their short terms of governance. Pakistan's case is also unique due to its geographical location and tensions in the neighbourhood which demands strong investments in its defence sector. All these social sectors currently receive an allocation which is even less than 2 digit of the percentage of GDP.

Tax justice Coalition which includes Civil Society Organisations of Pakistan and lead implementing partners are The Network for Consumer Protection and Indus Consortium.

An Equitable Tax System For a Educated, Healthier & Prosperous Pakistan



TAX JUSTICE COALITION PAKISTAN

<https://www.facebook.com/TaxJusticeCampaignPakistan>
<https://twitter.com/taxjusticepak>
<https://taxjusticecoalition.wordpress.com/>



Making Pakistan Tax Fair



Supported by:



“Tax justice Coalition” - A consortium led Program

Historically, a very small number of individuals pay income tax in Pakistan leading to an unjustifiable tax system that necessitates urgency for more equitable and broad base taxation to address poverty and good governance for pro-poor economic growth. This essentially will enable the country to provide basic health services, schooling of children and access to basic civic amenities to the poorest strata of the population. Therefore, like other developing countries, this country also needs to raise more tax which is progressive as well as equitable. Ultimately the intent of the tax reforms is to inculcate tax justice through a civil society coalition led by Oxfam Novib Pakistan in partnership with other lead organisations including “The Network for Consumer Protection”, “Indus Consortium” and a “Tax Justice Coalition”. The vision under the Tax Reforms Nexus Essential Services Program is to adopt a strategy to achieve the tax fair regime in Pakistan by following an active and effective campaigning, building capacity of civil society in the areas of tax & budget research and advocacy, Tax legislative reviews with equity in laws, broadening tax base and reforming corporate tax regime. The overall objective is to bring a positive change in the tax system of Pakistan by involving and mobilising the civil society and other stakeholders such as policy makers as well as by research and debate. The outcome would be creation of a nexus between fairly collected taxes and provision of essential services to masses.

Realizing tax potential

The revenues collected from tax currently falls way short of what potentially it should be. During financial year 2013-2014 about

2300 billion rupees were collected whereas the Oxfam research found that simply by improving tax collection regime this figure could be potentially raised to as much as rupees 8000 billion annually. In terms of GDP, currently only 9 % comes from taxes while a conservative estimate suggests a level as high as 37 %, which incidentally is a figure close enough to 38 % as has been achieved by the western European countries. The Oxfam research also found that Pakistan has a lower – than – average tax base with only 0.7 per cent which means that only about 768000 people file their income tax returns. If the potential of the tax revenue collection, as stated above, is realised than easily enough resources would be available to meet the financing requirement for achieving the pro poor development goals and above all will help doing away with the current unfair system of indirect tax collection such as sales tax which does not discriminate between a non-affording poor and affording rich. Existing parity between poor and rich for collecting indirect taxes in a country like Pakistan with 54 % poor has further root caused a situation that has helped in developing a society in which rich and poor are getting more and more apart.

Redistribution of wealth through taxation to promote pro-poor economic growth

Fiscal autonomy is important - to be more resilient to face the consequences of the economic crisis. The establishment of accountable, fair and pro poor tax system could significantly improve the lives of the poor, decrease inequalities and fund essential services. More and better aid or

debt cancellations alone, although crucially essential too, are not sufficient to ensure universal, quality and sustainable essential services in Pakistan, as they are by no means sustainable. Moreover, the organisations like World Bank and IMF hardly takes into account the negative impact of the policies on redistribution of wealth on the poorest faction of the society. Therefore, it further necessitates reliance on national resources by a fair tax system particularly through combating corruption and tax evasion through adoption of a clearer policy through legislative institutions as well as including measures such as culminating pro rich exemptions, enhancing the tax base and rationally looking into FTAs and tax treaties with other countries etc. Indeed, corporate taxation also needs to be overhauled as the loopholes therein are the areas of concern as well.

Achieving Domestic Resource Mobilization

Unfortunately, the tax injustice is big in Pakistan. It is mostly biased towards consumption and wage taxes which subsequently impose a higher tax burden on poorer household and formal sector employees. Moreover, due to complex nature of tax system, hardly the subject is touched by the government and more precisely by the tax revenue collection institution. There are serious gaps and distortions in taxes and their regulations which The Pakistan tax system has been largely dependent on Indirect Taxation. Even today, the total Indirect Tax Collection (Sales Tax, F.E.D & Customs Duty) is much greater (61%) than the total Direct Tax collection which thereby is in the tune of 39% according to FBR. Infact the figure 39 % also seems dogmatic as it also includes adjustable

Oxfam research report 'Global economic crisis and developing countries' (May 2010)

presumptive regime according to which the money is deduct even from those who do not qualify for advance income tax but they are bound to pay the tax through the withholding agents and this tax finds no way for return the payee. All this has led to widening of the gap between rich and poor due to this imposition of regressive taxes.

To make the system fairer, therefore, tax reforms are necessary not only to shift the tax burden to wealthier household and multinational companies and also to incorporate the framework of tax policy on equitable and progressive principles. However, this alone cannot help achieve the overall goal so there is a need for enhance tax regulation, tackling tax evasion, formalising the informal economy, reducing tax exemption, gradually reducing the sales tax and raising direct taxes especially taxes on nonwage incomes.

Democratic Governance

In a democratic system the tax constitutes linkages between the citizens and ruling democratic party and vis a vis the government. In fact tax system constitutes the very basis of social contract between the members of the civil society and the government. Thus tax also provides basis for public accountability. As the democratic governments strengthen in a country like Pakistan, the democratic institution also gets more and more chance to play their role. The activist in the society also starts developing strong voices. Especially the tax payer's start recognising their rights and responsibilities and they facilitate the system not only for appropriate and progressive revenue collection but it goes beyond and enriches their role in more equitable distribution of resources making it reach downwards to the poorest.

Campaigning for fair taxation

Given the nature of unfair tax system as prevailing in Pakistan like many other developing countries, Oxfam Novib has envisioned abroad – base tax justice policy in Pakistan which not only identifies but also provides remedy for overcoming the deficiencies of existing tax policy framework. And in doing so, the program is considering reviewing the fiscal justice in Pakistan and in this process it will use its global campaigning potential for systematic launch of the progressive taxation in the country. Indeed, this will be achieved by adopting a three-pronged strategy in which a phased approach will be followed for the abolishment of all pro rich exemptions, increasing tax base by bringing the tax evaders in the tax net and gradual abolishment of indirect taxes. The campaigning in this regard is therefore aimed at building the capacity of CSOs on tax & budget advocacy and advocacy around the tax reforms and more allocation and spending on essential services.

Strengthening the Civil Society

The Tax Reforms Nexus Essential Services Program aims to strengthen civil society through training, research, public and policy advocacy, civic education and international alliance building to advocate for tax reforms that ensures progressive and equitable taxation.

Precisely three objectives of the program are:

1) Withdrawal of Pro-Rich Tax Exemptions and SRO's

Towards abolishing Pro-rich regime of exemptions/SROs, and replacing the current SRO mechanism with vesting these

Tax Justice

Take Action: Help us - Even It Up

Pakistan Fair Tax Movement to even it up

“Today it is admitted fact, that the richest 10% of Pakistanis have accumulated colossal assets in the last three decades without paying due income tax. Exemptions of billions of rupees have been given to the rich and mighty through executive orders (SROs), whereby incidence of indirect taxes on the poor have increased—they have been forced to pay 17% sales tax on many items of daily use. The rich in Pakistan are either outside the tax net or do not pay personal taxes in accordance with their actual ability to pay. As a result, the poor are overburdened with indirect taxes and withholding income tax as well as 17% sales tax on most of the items consumed by them and excessive withholding at source even where income is below threshold limit of Rs 400,000, the tax ceiling. Those who control 90% of resources contribute less than 2% in total tax revenue.

Pro rich Exemptions/SRO cause 600 billion rupees in revenue losses every year; A very narrow tax base of Rs. 2300 billion and; a greater chunk of 68% coming from indirect taxes remains to be the major contributors for socio- economic inequality and rising poverty in Pakistan. Bonafide 52 million income earners are out of tax net which warrants immediate broadening the tax base. General sales tax indiscriminately being applied to all sections of society; whereas the fabric of the society contains more than 43 Million living under poverty line and another 45 Million living at threshold level. Poor social indicators: 25 Million children out of school; 4 \$ spending on health per person against UN recommended 45 \$; 35 million people are undernourished; More than half of Pakistani population don't have access to toilets; About 11% don't have access to improved drinking water sources. The power to change is in people's hand, government need to be pushed into action by the citizens who elect them, to rather stop serving mostly the rich elites; the prevailing regressive taxation needs transformation into progressive tax system.