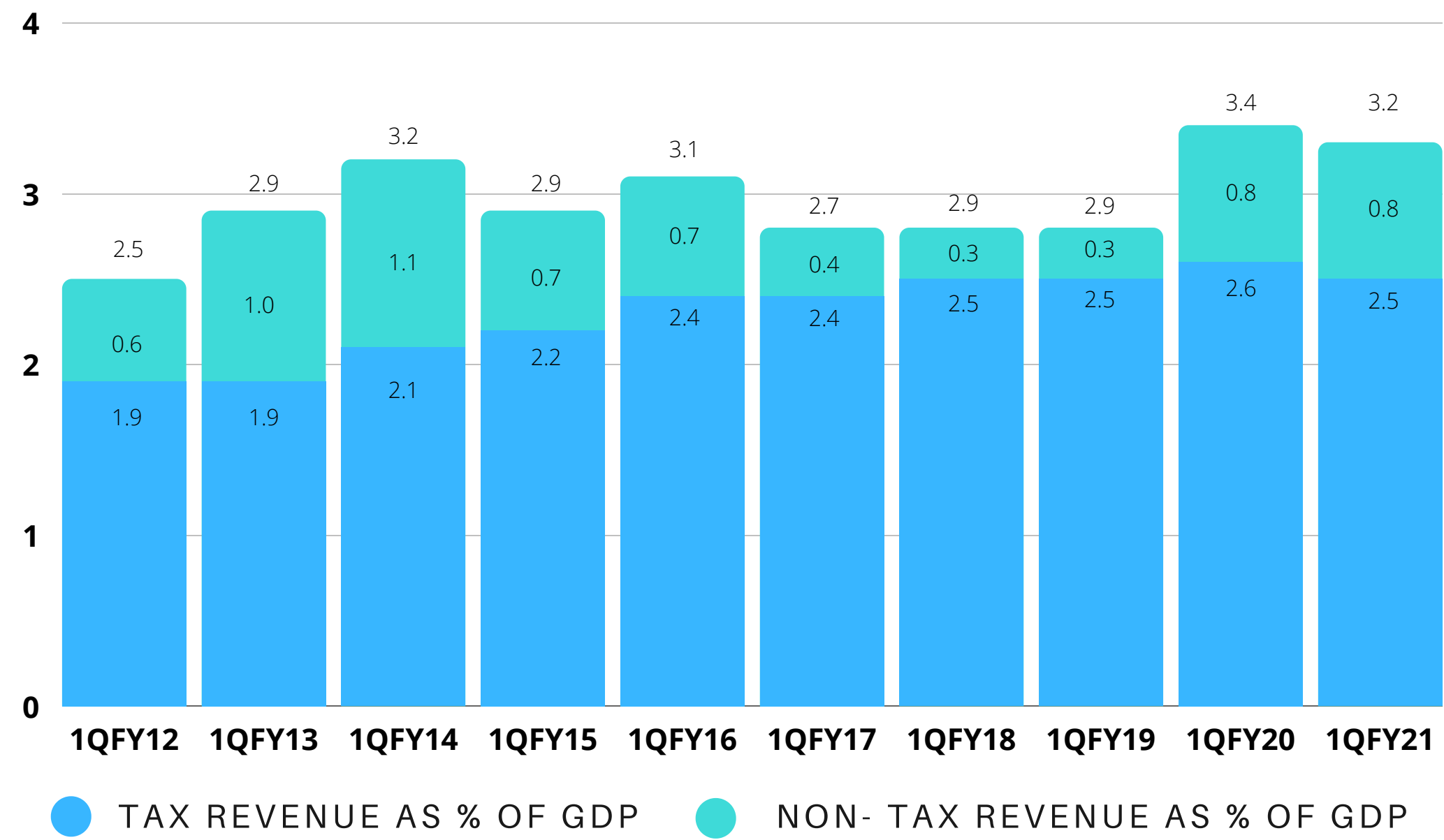


# MACRO DATA IN REVIEW - TAXATION

TOTAL REVENUE AS % OF GDP

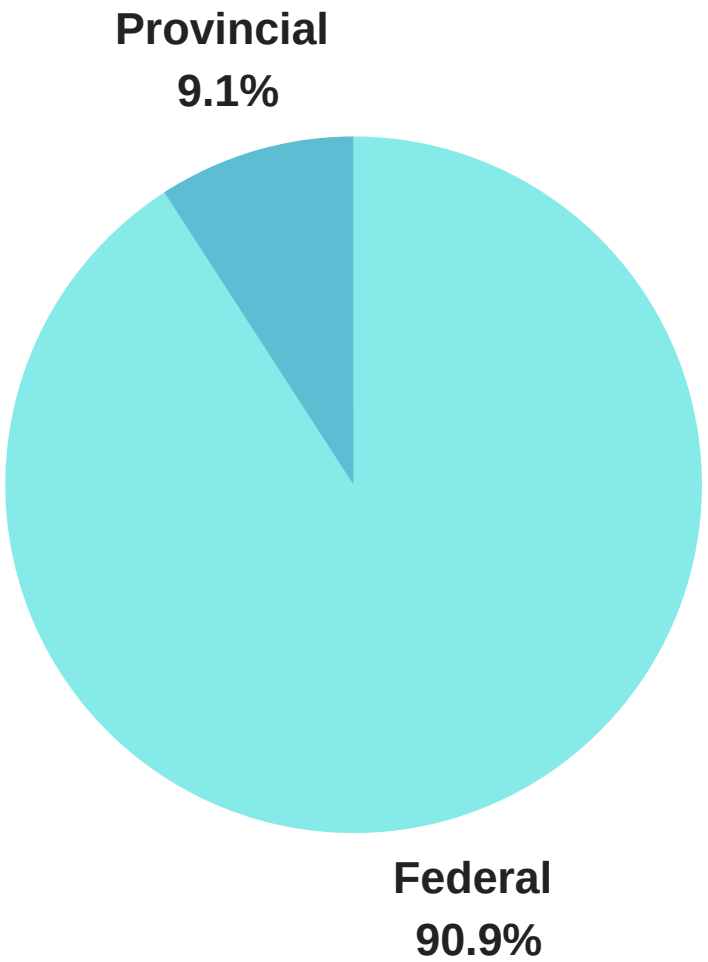


✓ Pakistan's total revenue as a percentage of GDP has decreased to 3.2% in 1QFY2 from 3.4% in 1QFY20, amidst the COVID-19 pandemic.

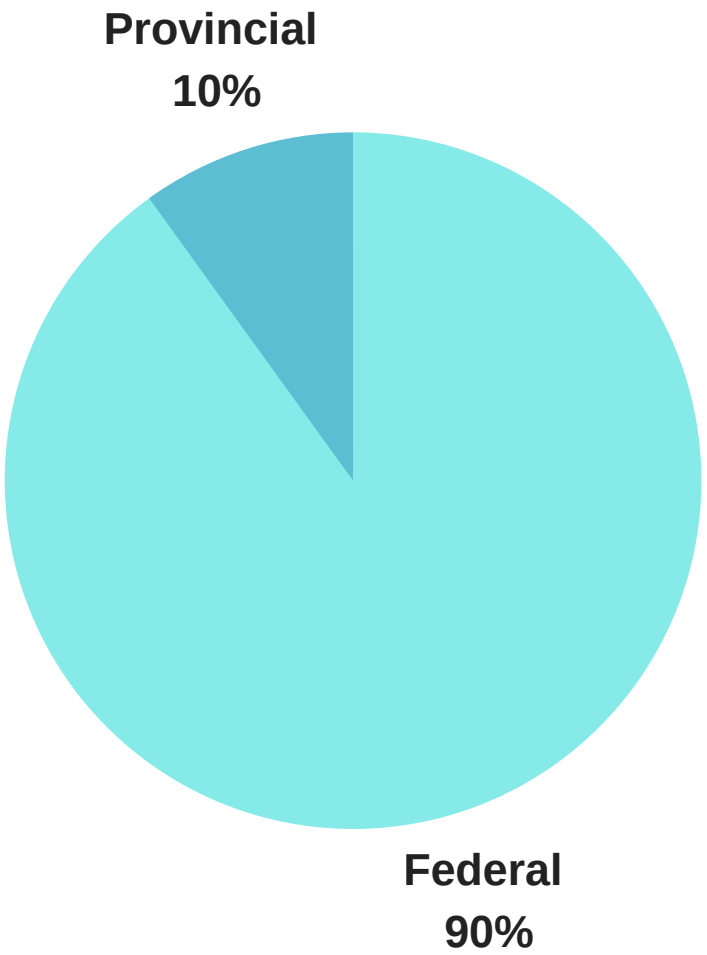
✓ In 1QFY21, Pakistan's tax-to GDP ratio slightly decreased to 2.5%, while its non-tax-to-GDP ratio remained the same at 0.8% in 1QFY21.

## COMPOSITION OF TAX REVENUE IN PAKISTAN (PKR MILLIONS)

1QFY20  
TOTAL TAX REVENUE  
PKR 1.122 TRILLION



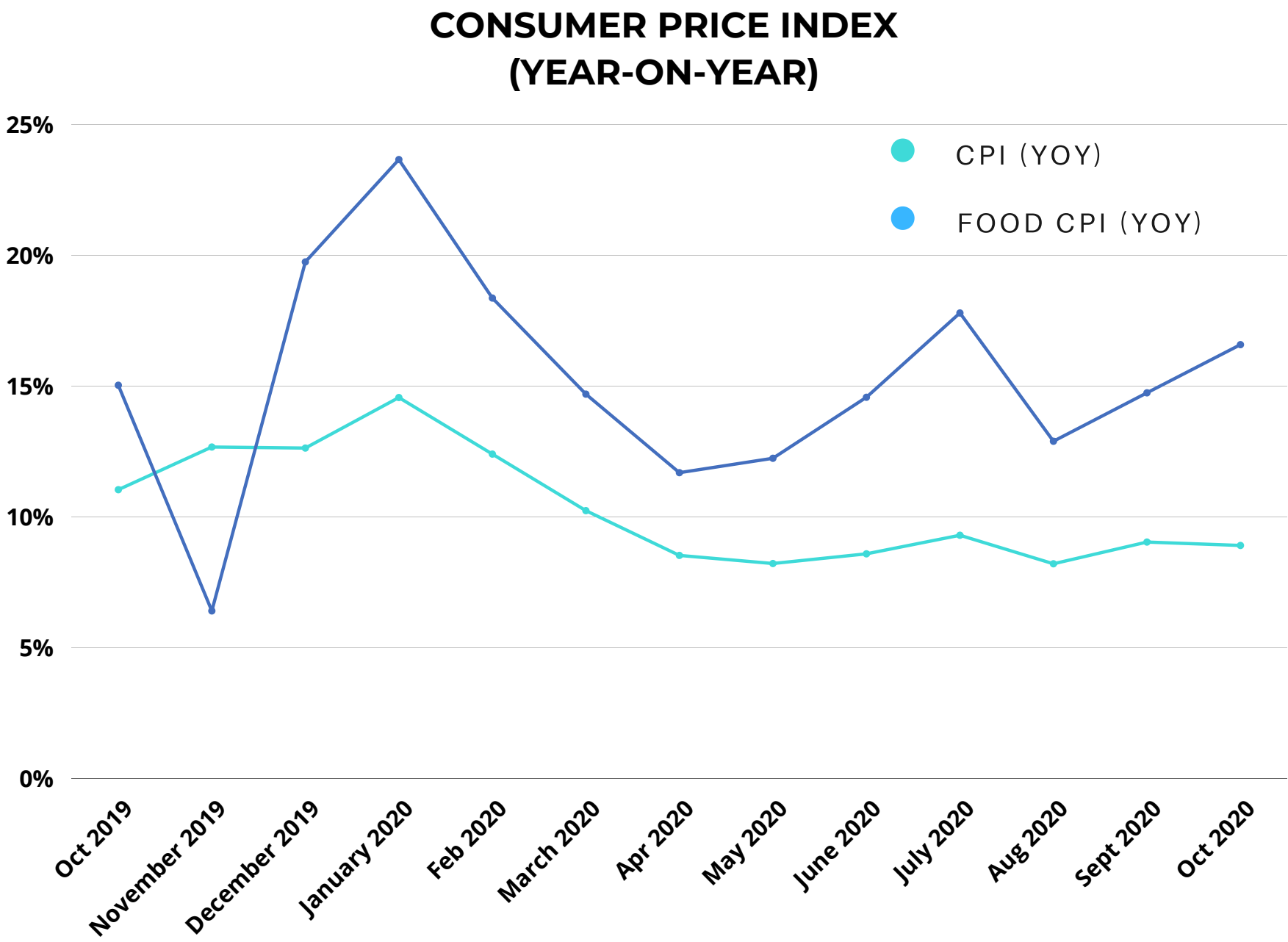
1QFY21  
TOTAL TAX REVENUE  
PKR 1.142 TRILLION



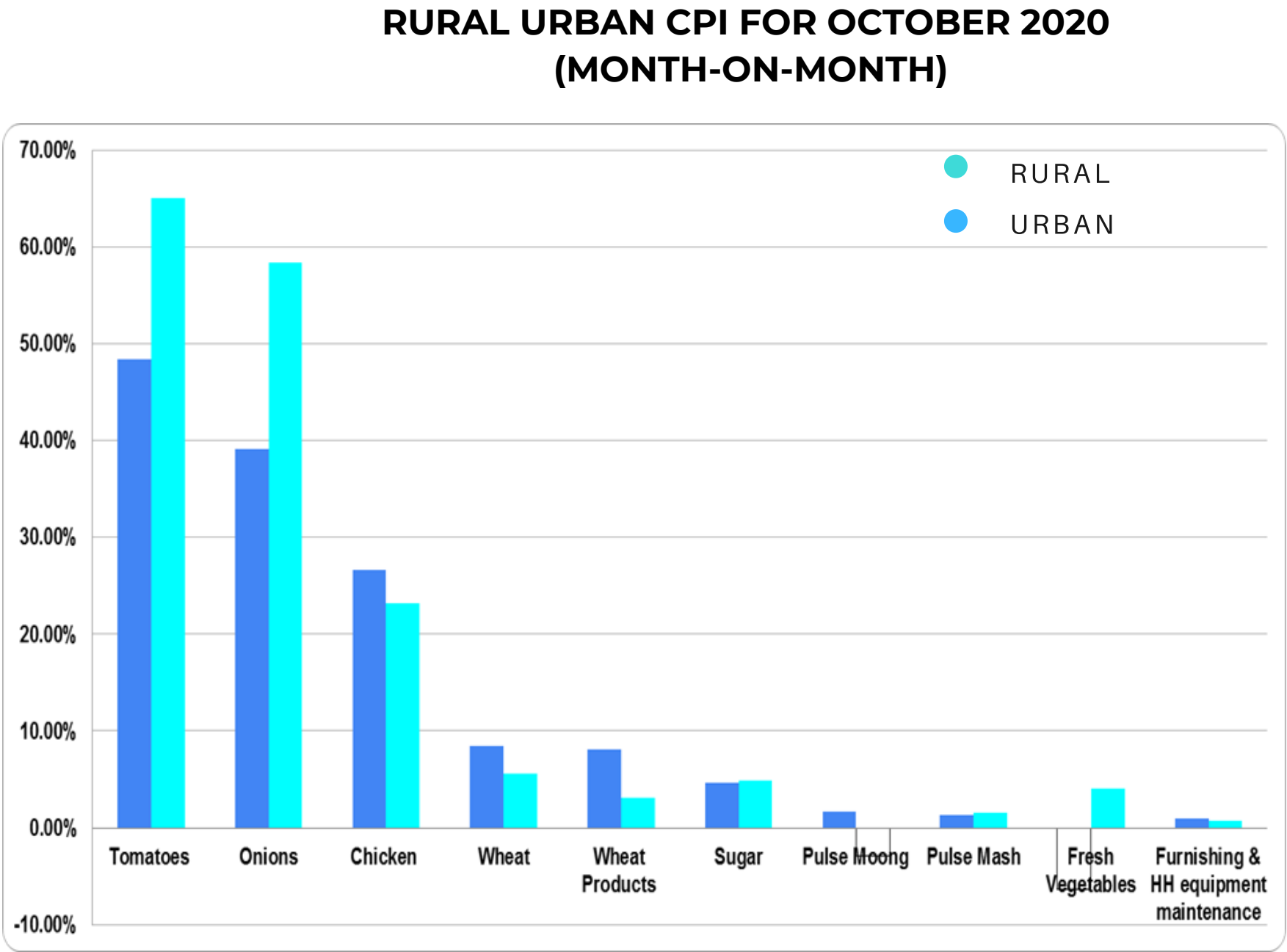
● FEDERAL    ● PROVINCIAL

Federal tax revenue saw a year-on-year decline of 2.7% in the first quarter of FY21, whereas provincial tax revenue grew by 6.9% in the same period compared to last year.

# MACRO DATA IN REVIEW - INFLATION



- ✓ The average Consumer Price Index (CPI) for since October 2019 remained in double digits, taking a nose-dive due to the pandemic.
- ✓ Food CPI (YOY) saw an increasing trend in the last few months, rising from 12.8% in August 2020 to 16.5% in October 2020.



Food prices remained higher on average in rural areas (16.8%) than urban areas (14%).

Month-on-Month Price increase for Tomatoes, Onions, Sugar, Pulse Mash, and Fresh Vegetables was higher for rural areas. Month-on-Month Price increase for Chicken, Wheat, Wheat Products, Pulse Moong, and Furnishing & HH Equipment Maintenance was higher for urban areas.

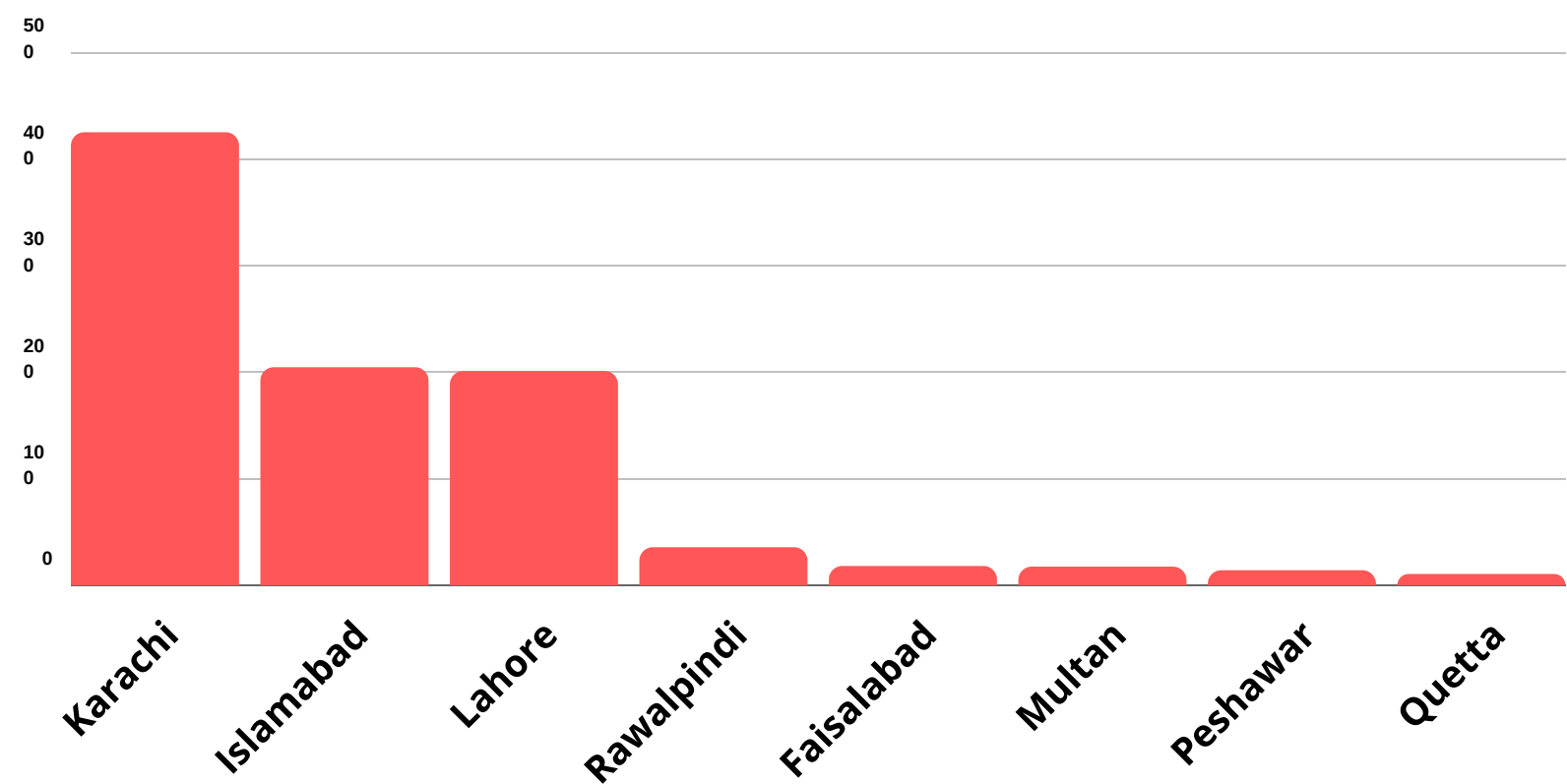
However, month-on-month price decrease was also witnessed for Pulse Moong in rural areas and fresh vegetables in urban areas.

# In the News

## Cities & Taxes

The Federal Board of Revenue (FBR) released a report titled ‘Tax Directory Analysis for Tax Year 2018’. The first of its kind, it contains data on income tax by category, regions, cities and markets for the FY 2017-2018.

Out of PKR 1.03 trillion income tax collected in FY 2017-18, 80% came from just three cities: Karachi (43%), Islamabad (20%) and Lahore (20%). The markets of Karachi alone (with Saddar contributing PKR 77 billion) generated almost half of the income tax paid by all of Pakistan’s markets.



The FBR report also highlights that the average income tax per filer in the markets of Karachi is PKR 0.91 million against PKR 5.0 billion in Islamabad – this implies the limited retail space in Islamabad’s markets with property being too expensive in the city. Informal markets also contribute significantly to the tax net, such as Peshawar’s Karkhano Bara Market generating PKR 5.3 billion and other landa and kabari markets contributing a total of PKR 353 billion.

On the corporate front, a total of 44,609 companies filed tax returns paying income tax of PKR 497 million. 55% of companies paid no tax and 20% paid less than one lakh Rupees as income tax. Out of over 44,000 thousand filers, 81% of the total income tax paid by the corporate sector came from just 600 companies.

– “ —

PAKISTAN COLLECTED INCOME TAX WORTH PKR 1.03 TRILLION IN FY18

— ” –

The Lahore Chamber and Commerce President Almas Hyder narrates that “one company, operating in the four provinces in Pakistan, makes 5 payments of corporate Income Tax in a year, 12 payments of Employer paid-Pension Contributions, 12 payments of Social Security contribution, 1 payment of education cess, 1 payment of property tax, 1 payment of professional tax, 1 payment of vehicle tax, 1 payment of stamp duty, 1 payment of fuel tax and 12 payments of goods and sales tax” (The Nation).

# Property Taxation in KP: Reforms for an Efficient, Effective and Equitable Tax

Authors: Dr. Ali Cheema and Ali Abbas

## OVERVIEW

High rates of population growth and urbanization over the last two decades have created urban infrastructure delivery deficits, in the areas of clean drinking water, sanitation and waste removal. At the same time, the contribution of KP’s Urban Immovable Property Tax (UIPT) is almost five times lower in KP (0.5 percent) relative to neighbouring Punjab (2.5 percent). The Government of KP (GoKP) is designing a reform program to strengthen the province's UIPT system to create a sustainably financed public investment that can realize the potential of urban areas as engine of growth and development.

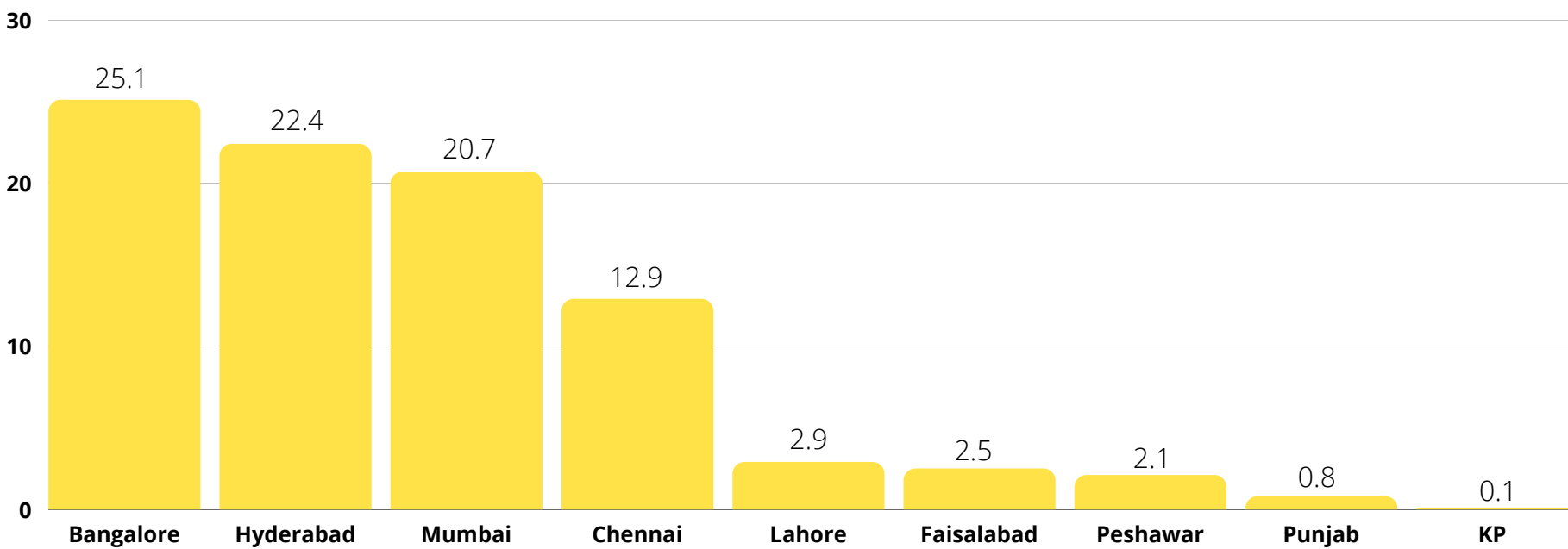
## PROPOSED REFORM FRAMEWORK

This property tax note proposes a three-step reform framework to strengthen the province’s fiscal capacity in raising UIPT. Firstly, the tax policy should be reformed in the areas of property tax valuation and exemptions to ensure tax buoyancy. Secondly, enforcement capacity should be strengthened through the digitization of property tax records, taxpayer facilitation schemes and increased incentives for tax collectors. Lastly, citizens' tax morale should be improved by increasing perceptions of fairness and equity of the tax system and tightening government accountability.



*This report has been prepared by CDPR, IGC and the Sustainable Energy and Economic Development (SEED) for the Government of Khyber Pakhtunkhwa (GoKP). It is funded by the UK Foreign, Commonwealth & Development Office (FCDO).*

URBAN PROPERTY TAX COLLECTION PER CAPITA (2015-16, USD)



## POLICY RECOMMENDATIONS

- ✓ Taxing land value and land improvements, by moving towards a ‘points-based’ system.
- ✓ Creating databases of property area, existence, transactions, registrations by geocoding properties through satellite data.
- ✓ Performance-based HR reforms for tax collectors
- ✓ Communicating the benefits of tax expenditure and introducing third-party audits and participatory budgeting.
- ✓ Information disclosures on tax burden distribution and simplification of tax methods.