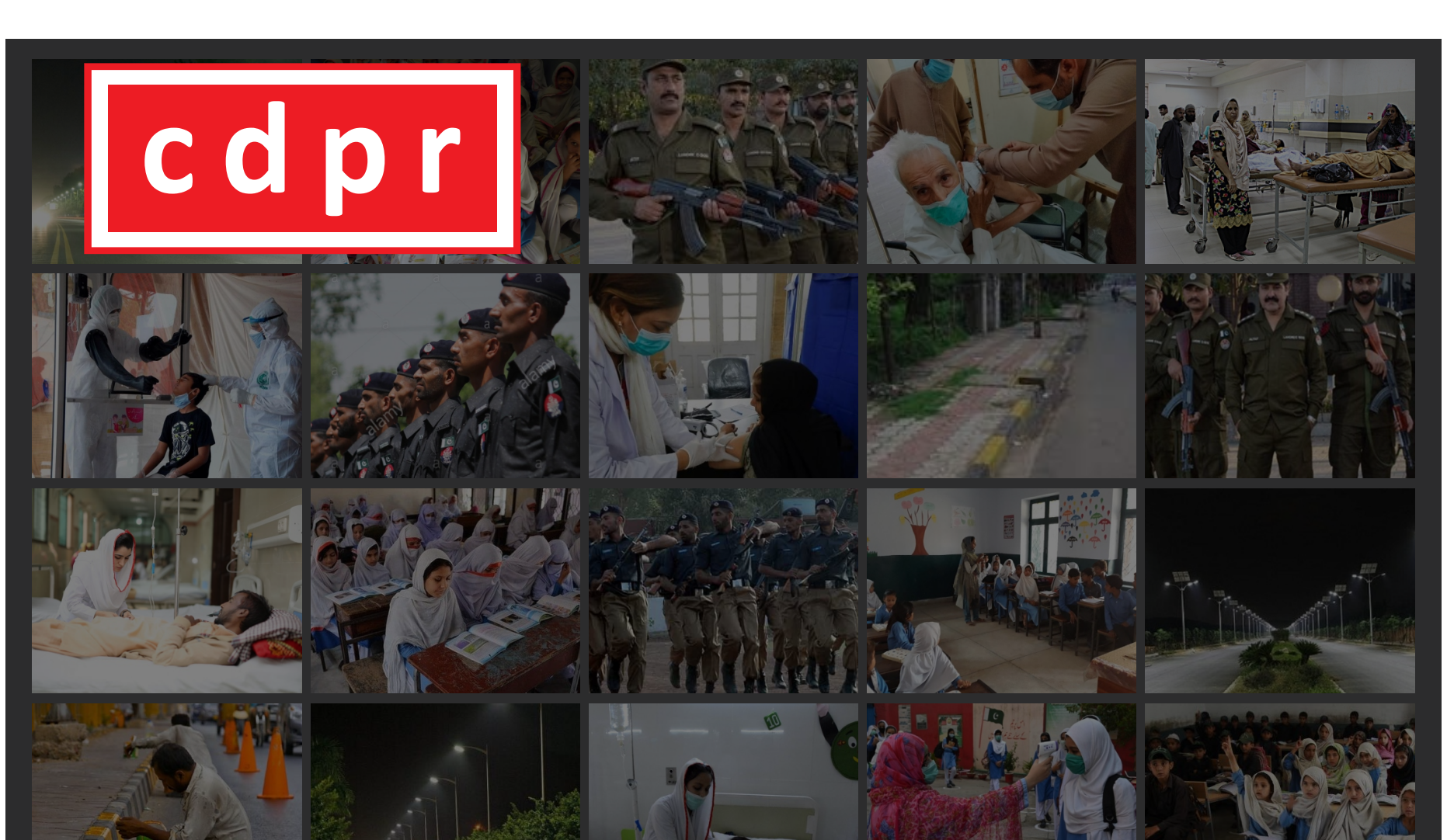

NEWSLETTER
APRIL 2021 EDITION

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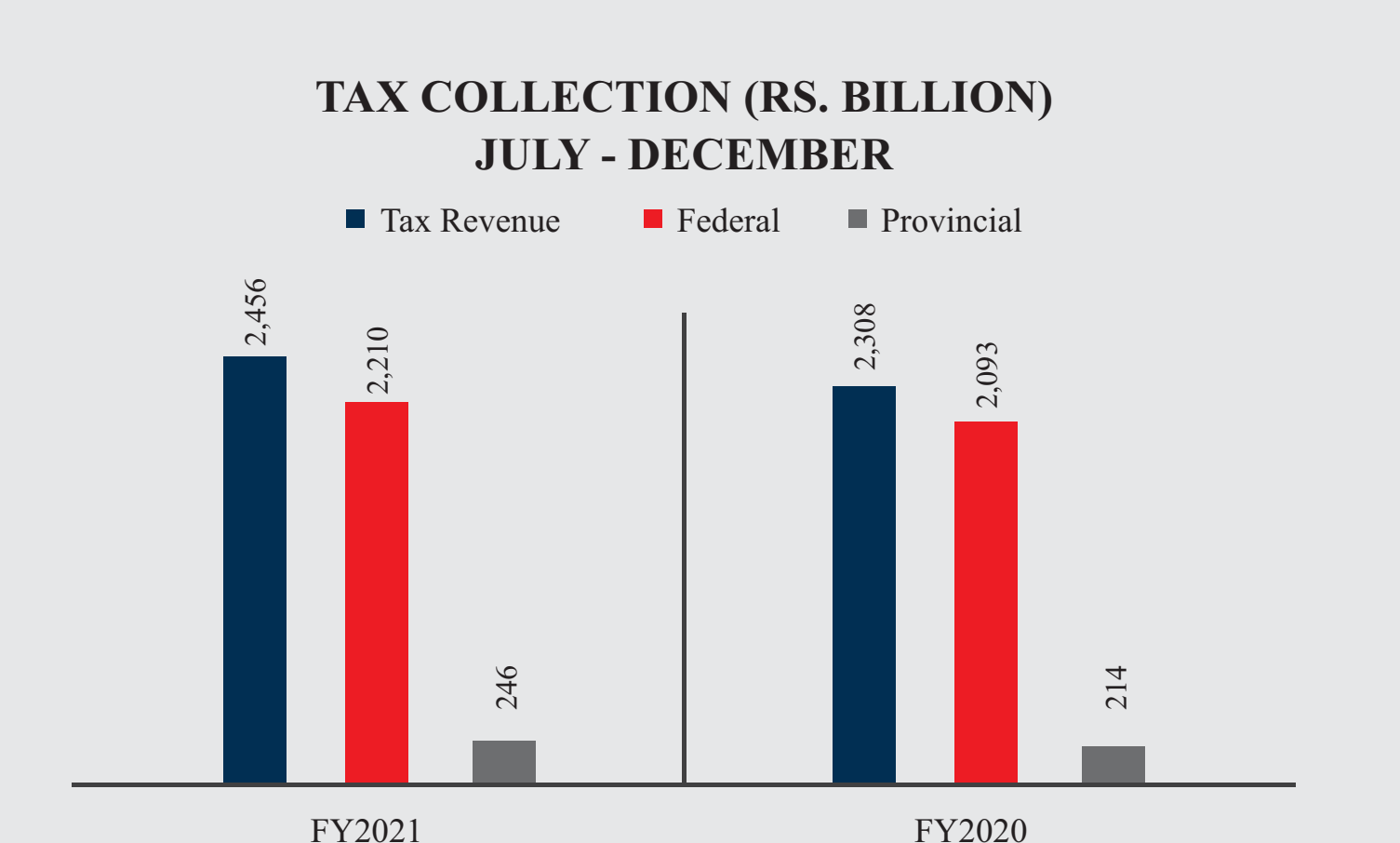
MACRODATA IN FOCUS

- Tax Revenue (July to December FY 20-21 with Federal and Provincial categories)

TAX REVENUE

TAX COLLECTION (RS. BILLION)
JULY - DECEMBER



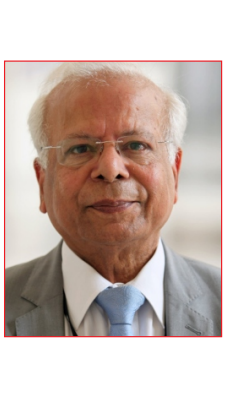
Source: Pakistan Fiscal Operations, Finance Division

Tax revenues grew by 6.4 percent to Rs 2455.9 billion during Jul-Dec FY2021 (Rs 2307.8 billion last year).

WHAT'S IN THE NEWS?

- Industries: From sunset to sunrise by Dr. Ishrat Husain
- Active Taxpayers' List for the Tax Year 2020

INDUSTRIES: FROM SUNSET TO SUNRISE



Dr. Ishrat Husain
Advisor for Institutional Reforms and Austerity to Prime Minister of Pakistan

Interestingly, the best advice the prime minister has received so far about how to increase exports and revenue has come from his special advisor on institutional reforms and austerity, Dr Ishrat Husain. Speaking at a Karachi Chamber of Commerce and Industry (KCCI) webinar recently, Dr Husain, who is also a former governor of the State Bank of Pakistan (SBP), suggested that Pakistani businesses should diversify out of sunset industries, those that are past their peak and in decline, and invest in sunrise industries, those that are new and growing.

He also very wisely said that Pakistan should take advantage of the rapidly growing market for commercial services, especially Information Technology (IT) and IT-enabled services, and also try and integrate itself into the supply chains of China and other dynamic Asian markets. The idea is to emulate countries like Taiwan and South Korea and gear our industrial production away from import substitution, which means we only get to export our surplus, and towards what is demanded in growing export markets. The overwhelming focus so far on import substitution industrial production has left us in a position where we hardly produce any raw material anymore, except agri products.

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THE ACTIVE TAXPAYER

The Active Taxpayer List (ATL) is a central record of online Income Tax Return filers for the previous Tax Year published every financial year on the 1st March and only those taxpayers will be included in the list who have filed their Income Tax Returns for the Tax Year 2020.

A person on the ATL can avail several benefits:

- They are not subjected to withholding tax on cash withdrawals, other banking transactions
- Payment of a fee to educational institutions, etc.
- Similarly, for such persons, tax on imports, dividends, goods, services & contracts, profit on debt, prize and winnings, purchase of motor vehicles, purchase and sale of a property, etc. is withheld at a lesser rate.

Income tax returns for tax year 2020 have reached 2.62 million compared to 2.43 million in 2019, showing an increase of eight percent.

The tax deposited with returns was Rs49.6 billion during tax year 2020 as compared to only Rs31 billion deposited for tax year 2019, showing a 60 percent increase.

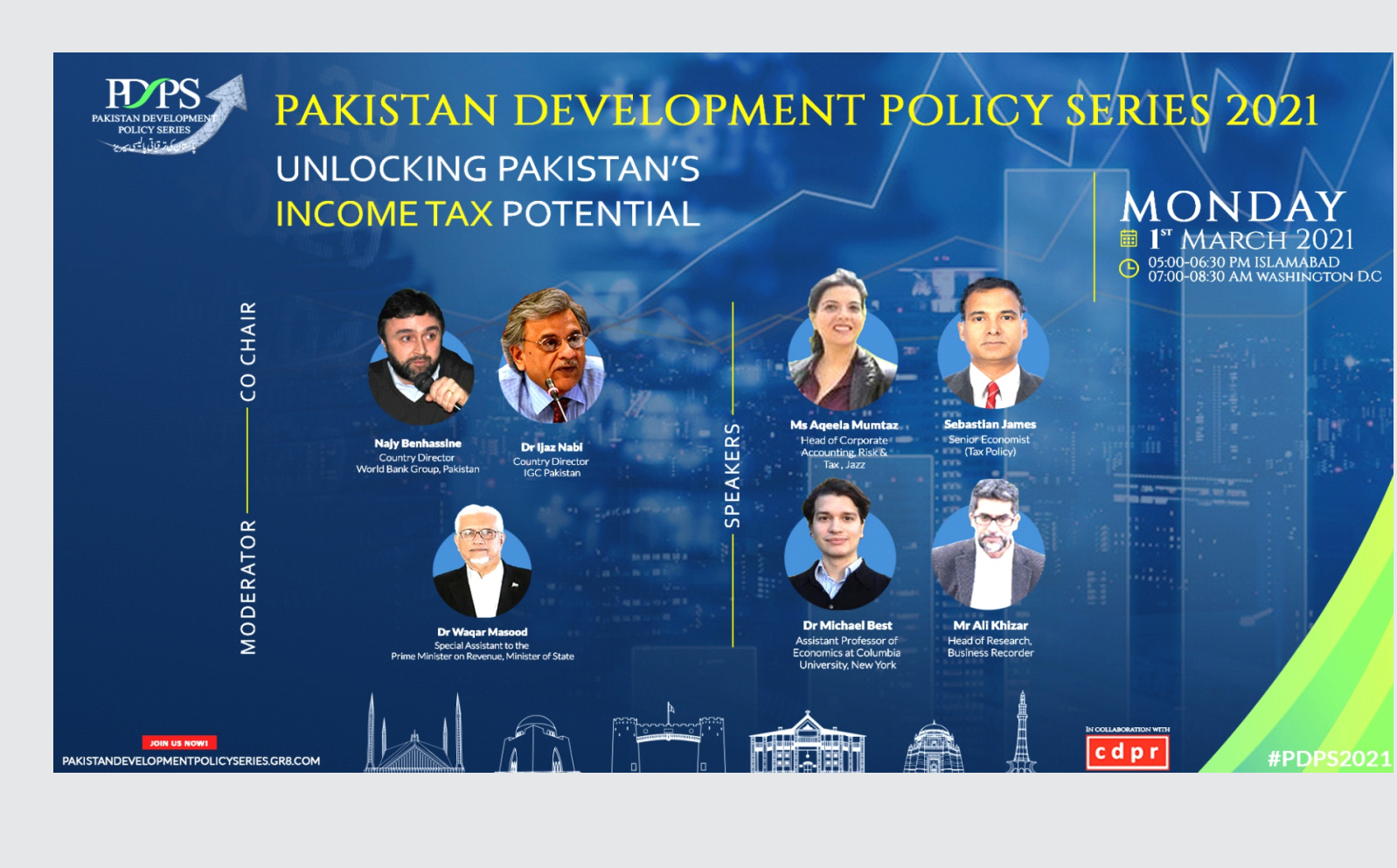
The FBR has launched a number of initiatives for the facilitation of taxpayers that have resulted in increased number in filing of Income Tax Returns.

ATL is available on FBR's website as well as Tax Asaan App.

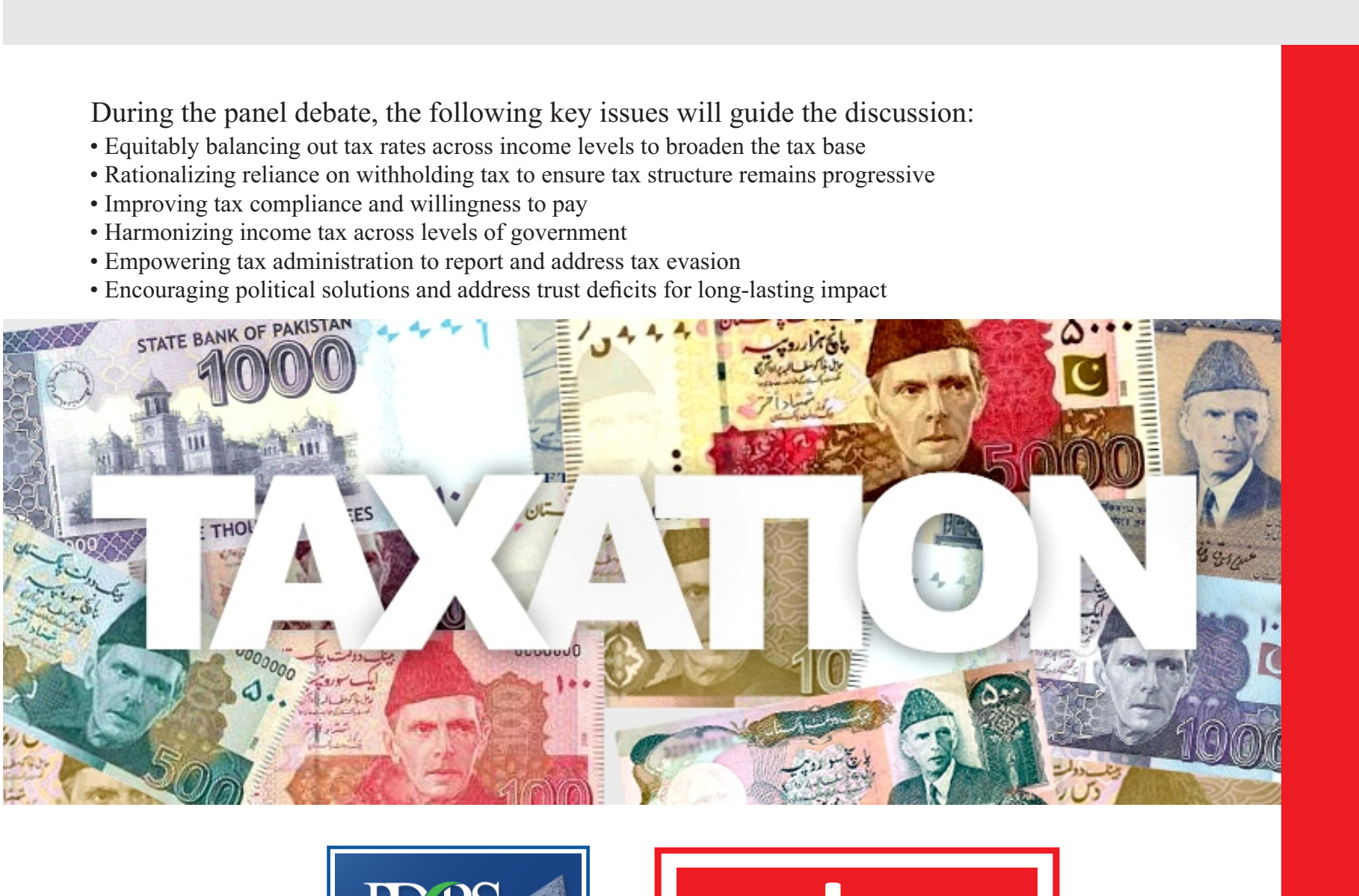
Sources:
- FBR Releases Active Taxpayers List for Tax Year 2020 (propakistani.pk)
- Active Taxpayers List to be issued after March 1 (thenews.com.pk)
- ATL for Tax Year 2020 released - Business & Finance - Business Recorder (brecorder.com)

WEBINAR ON INCOME TAX: CDPR COLLABORATION IN WORLD BANK'S PDPS 2021

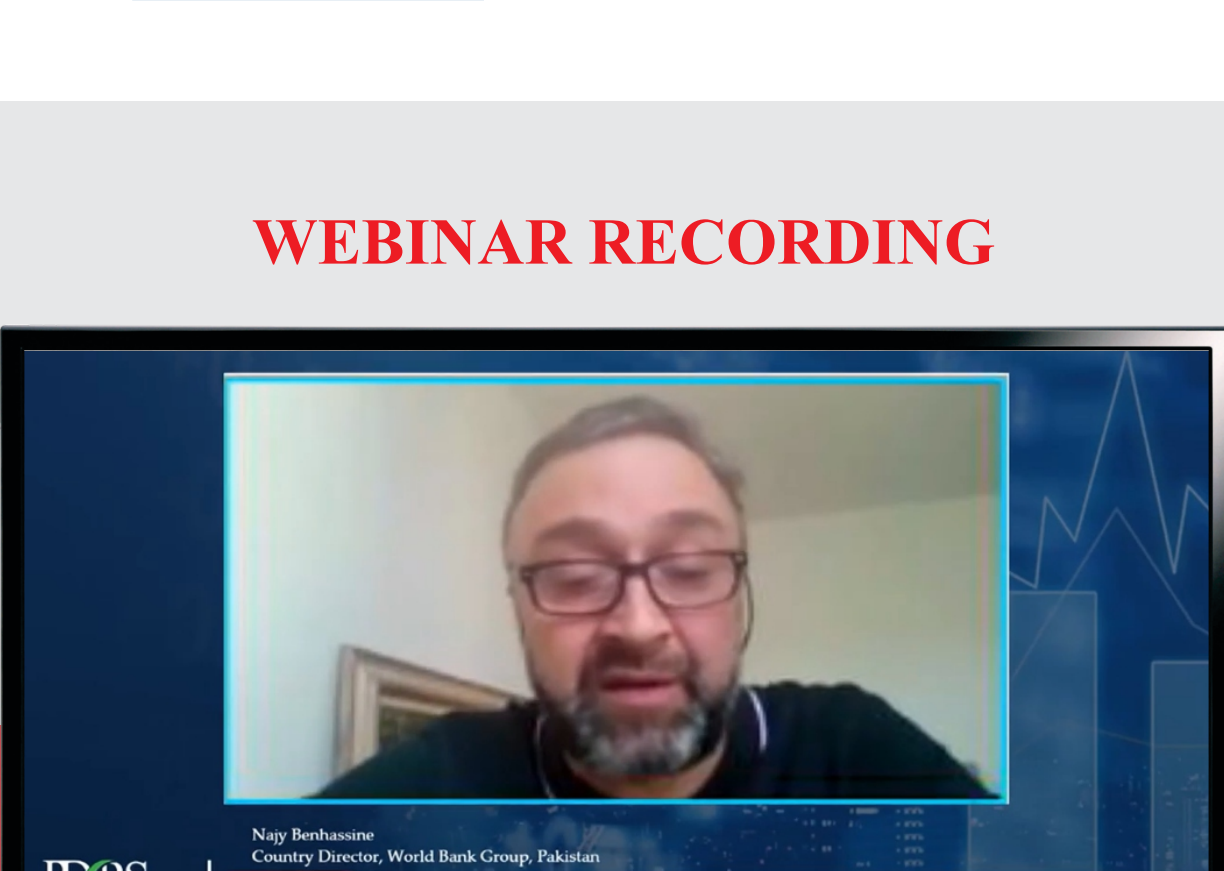
CDPR kicked off its first event in collaboration with the World Bank in its Pakistan Development Policy Series (PDPS) 2021 in the event entitled **"Unlocking Pakistan's Income Tax Potential"**, on Monday, March 1, 2021. Our panelists included Dr Waqar Masood, Special Assistant to the Prime Minister on Revenue; Dr Michael Best, Assistant Professor of Economics at Columbia University, New York; Ms Aqeela Mumtaz, Head of Corporate Accounting, Risk and Tax at Jazz; Mr Ali Khizar, Head of Research at Business Recorder; and Mr Sebastian James, Senior Tax Specialist, World Bank.


PDPS
PAKISTAN DEVELOPMENT POLICY SERIES 2021
UNLOCKING PAKISTAN'S INCOME TAX POTENTIAL
MONDAY
1st MARCH 2021
MODERATOR
CO-CHAIR
SPEAKERS
cdpr

During the panel debate, the following key issues will guide the discussion:
- Equitably balancing out tax rates across income levels to broaden the tax base
- Rationalizing reliance on withholding tax to ensure tax structure remains progressive
- Improving tax compliance and willingness to pay
- Harmonizing income tax across levels of government
- Empowering tax administration to report and address tax evasion
- Encouraging political solutions and address trust deficits for long-lasting impact



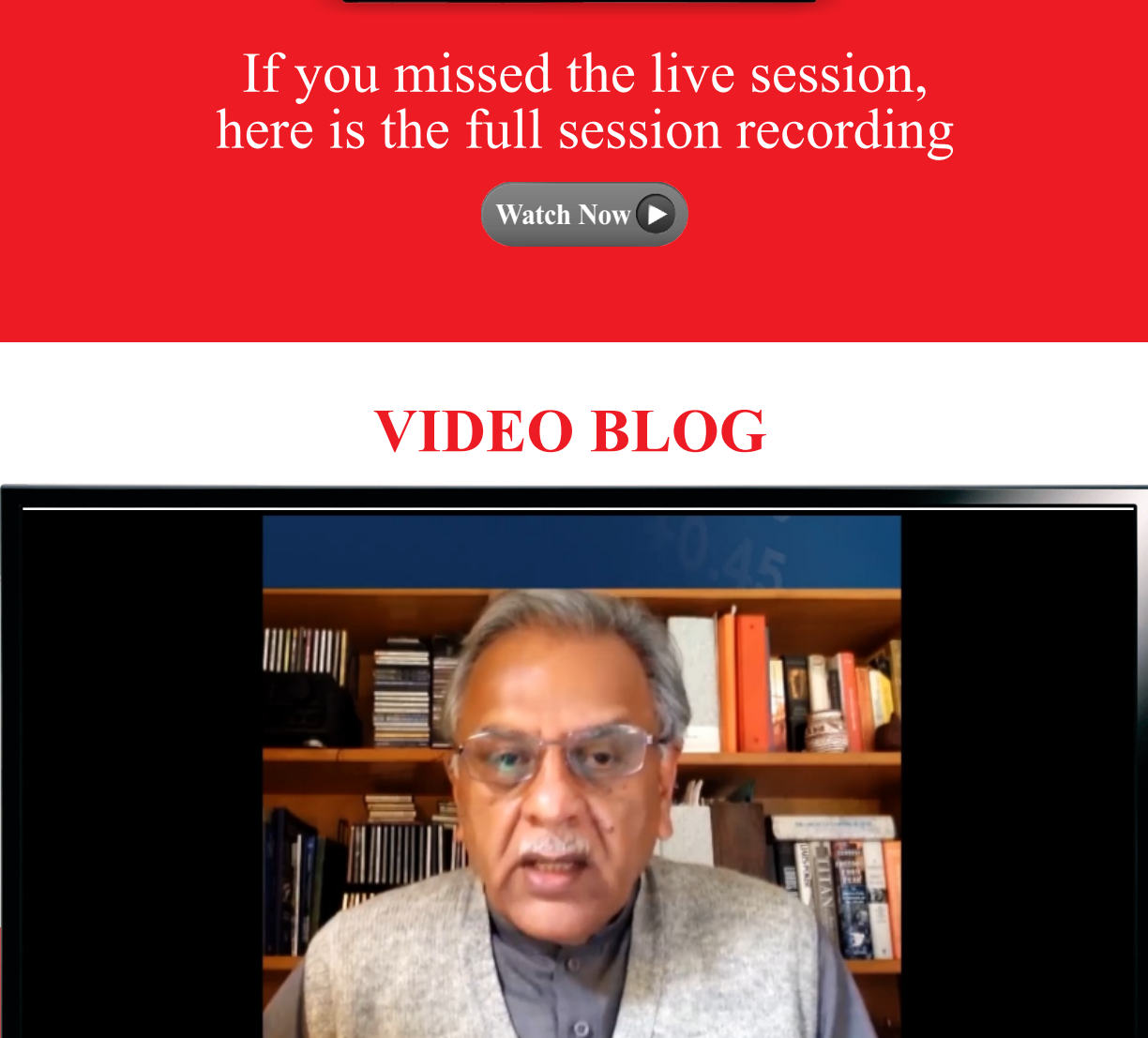
WEBINAR RECORDING



If you missed the live session, here is the full session recording

Watch Now ▶

VIDEO BLOG



Dr. Ijaz Nabi
Chairperson CDPR & Country Director IGC

While introducing CDPR's collaboration with the World Bank on the theme of Revenue Mobilisation and Tax Reform in Pakistan, Dr. Ijaz Nabi highlights ways to avert fiscal deficits & demand contraction, which disrupt growth. He underscores the need for tax reform, especially in areas of income taxes, sales taxes and local taxes to ensure long-term economic sustainability.

To watch the full interview 'Click Here' ▶

VIDEO SNIPPETS FROM THE EVENT

Ms. Aqeela Mumtaz
Head of Corporate Accounting Risk and Tax at Jazz

Talks about the difficult interactions she faced with tax authorities in the country, and the real reasons behind them.

Watch Now ▶

Mr. Sebastian James
Senior Economist

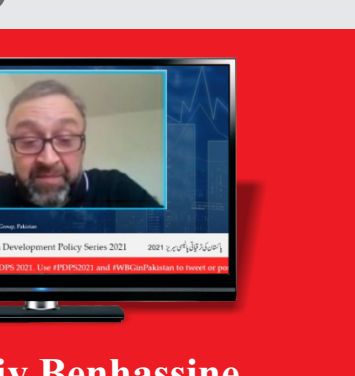
Talks about the problems with withholding taxes and its impact on the formal and informal economy.

Watch Now ▶

Mr. Ali Khizar
Head of Research Business Recorder.

Takes a deep dive into the tax compliance structure for authorities in Pakistan and how we can enhance the tax base through digitization.

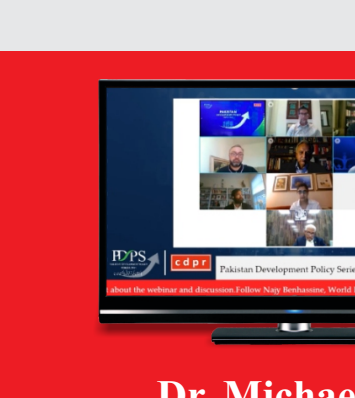
Watch Now ▶



Mr. Najy Benhassine
Country Director, World Bank Group, Pakistan

Sheds light on the potential to increase the current tax collection in Pakistan and the fragmentation of tax collection in the country.

Watch Now ▶



Dr. Michael Best
Assistant Professor of Economics at Columbia University, New York

Discusses tax policies and the way they interact with the tax administration in the context of developed countries. He explains that it is through the progressivity of income taxes in developed countries that allows them to redistribute income from richer households to less well-off households.

Watch Now ▶

BLOG: TO UNDERSTAND PAKISTAN'S INCOME TAX LANDSCAPE

Pakistan currently collects 11.4 percent of GDP in taxes with an estimated tax gap in excess of 50 percent of current collections. A large part of the tax gap is from income tax collections. The widening of Pakistan's overall tax gap can be attributed to a host of inter-connected factors including fragmented tax administrations, weak enforcement, low compliance, generous and distortionary exemptions and concessions, and narrow tax bases.

Improving income tax is critical for Pakistan to fund service delivery, increase social protection spending and lower compliance costs for taxpayers. With the right policy and administration, income taxes can be the most progressive tax instrument for the government.

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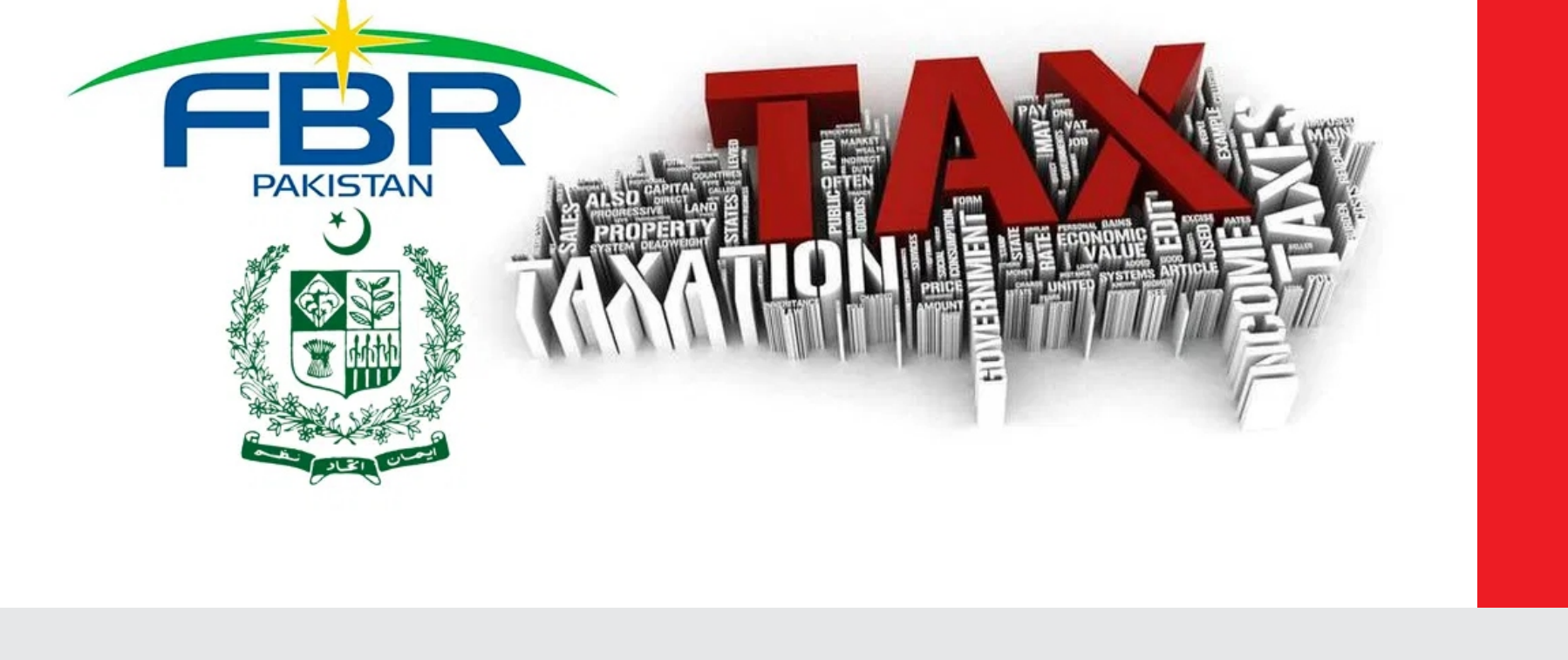
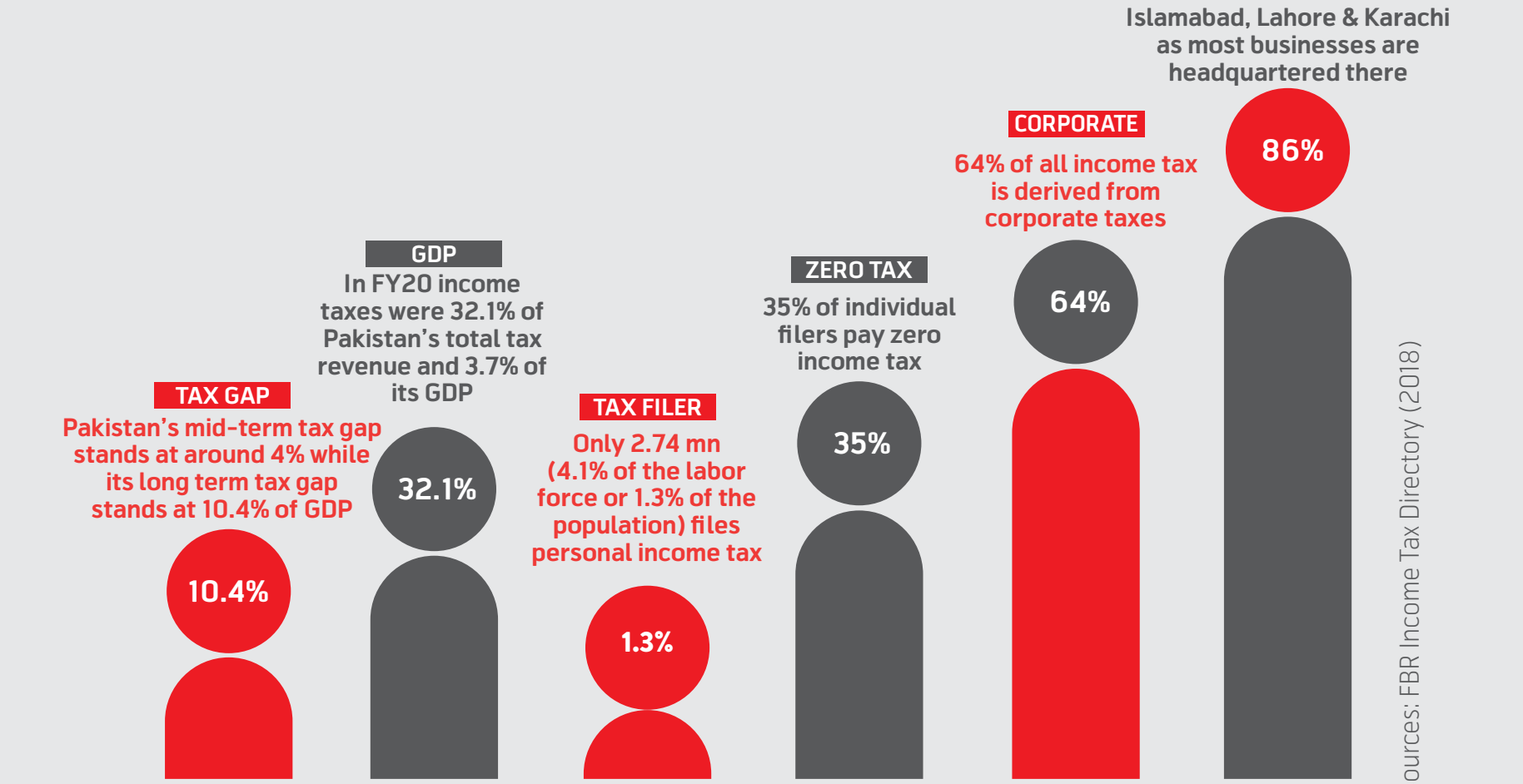


HOW DOES PAKISTAN FARE IN GENERATING REVENUE THROUGH INCOME TAX?

'CLICK HERE' to view the full infographic



WEBINAR NEWS ARTICLE FROM BUSINESS RECORDER

World Bank & CDPR Unlock Pakistan's Income Tax Potential in a New Webinar Series

The Consortium for Development Policy Research (CDPR) partnered with the World Bank to organize its second webinar on "Unlocking Pakistan's Income Tax Potential" as part of its Pakistan Development Policy series 2021 on the 1st of March 2021.

The Pakistan Development Policy series 2021 is a set of policy discussions organized by CDPR and the World Bank to discuss key reform areas critical to Pakistan's economic, social and development growth.

CDPR is a non-profit association of independent researchers and policy advisors based in Pakistan. The organization aims to promote collaboration among participating researchers and organizations for research on critical growth policy issues, and consolidates resources for informed debate. In the past, CDPR has also partnered with federal and provincial governments, and policy makers to provide an informed and independent input into the design and implementation of policy

Focusing on Income Tax, the March 1 webinar invited leading specialists and representatives from the government & private sector to explore how Pakistan can address the issues faced in income tax policy and administration, reduce compliance costs, and expand Pakistan's currently narrow income tax base.

PDPS
PAKISTAN DEVELOPMENT POLICY SERIES 2021
YOU ARE INVITED
LIVE
WEBINAR SERIES
UNLOCKING PAKISTAN'S INCOME TAX POTENTIAL
MONDAY
1st MARCH 2021

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NEWSPAPER ARTICLES FROM FELLOWS AND PARTNERS

- Manifestations of Raw Power: Dr. Faisal Bari
- Women and Political Inequality: Dr. Umair Javed
- FATF: Looking into the Crystal Ball: Mr. Hasaan Khawar

MANIFESTATIONS OF RAW POWER

A LOT of vehicles across Pakistan, particularly in Islamabad and other larger cities, have number plates that are different from the majority as a reminder of the position of distinction that the owners or users hold. These number plates can be institutional (armed forces have separate number plates; green plates denote officialdom; there are special plates for the UN and diplomats as there are for the judiciary), or used by individuals (special number plates or stickers are used to announce that the owner is a journalist, lawyer, MPA, MNA, senator or a union/district council member). Why do we have so many identifiers?

Read More

Dr. Faisal Bari
Associate Professor / Senior Research Fellow
Institute of Development & Economic Alternatives,
LUMS

WOMEN AND POLITICAL INEQUALITY

GENDER inequality takes a variety of forms in Pakistan, but a fundamental one — and one whose rectification may help address all other variants as well — is political inequality. The constituents of gender-based variation in politics include barriers to voting, barriers to seeking elected office, barriers to access within political parties, and barriers to representation in policymaking and governance.

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Dr. Umair Javed
Assistant Professor of Politics and Sociology, LUMS

FATF: LOOKING INTO THE CRYSTAL BALL

ON February 22, as Pakistani officials joined the FATF's virtual plenary session, they probably knew in their hearts that Pakistan was still away from an exit from the grey list, yet they took comfort in knowing that Pakistan has successfully dodged the threat of blacklisting, which could have been catastrophic for the country. Only a few months ago, the concluding statement of the FATF's October plenary session had already Indicated a change of heart in the global watchdog, as it confirmed that Pakistan had successfully completed 21 out of 27 actions. It was the first time since Pakistan's blacklisting in 2018 that the official FATF statement did not carry an ultimatum. The run-up to the February 2021 meeting therefore had not been as tense as before. If anything, the country has gone ahead and not backwards. And they were proved right, as FATF acknowledged the completion of another three actions.

Read More

Mr. Hasaan Khawar
Public Policy Expert

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1. Macrodata in Focus:
   - Current Account Deficit
   - Sales Tax on Services
2. What's in the News? Remittances
3. Webinar & Policy Note Launch: CDPR-IGC partnership with SEED on Reforming Sales tax on Services in Khyber Pakhtunkhwa
4. CDPR partnership with OPM on Punjab Education Sector Programme (PESP) Evaluation: Education Reform & Community Preceptions in Punjab.

In Pakistan, policy decisions and public discourse are often uninformed by available research. The Consortium for Development Policy Research (CDPR) bridges this gap by communicating cutting-edge, evidence-based research on development issue in Pakistan to an audience of policymakers, students, the media and the wider public. With support from the International Growth Centre (IGC), CDPR disseminates policy briefs, hosts events, engages with the media and produces digital content tyo make topics in development research such as economic growth, energy, education, health and governance intelligible to both decision makers and the public.