

YEF analysis on strike by traders across Pakistan.

On 13th July 2019, the trade unions across Pakistan observed a strike which resulted in many shops and businesses' being closed throughout the day. The reason for the strike was to protest against the rising inflation, and the new imposed taxes as stated in the budget 2019-2020 presented by the current government of Pakistan Tehreek-e-Insaf.

PTI government in order to increase the means of revenue and to improve the dismal state of the economy introduced several measures which included imposing a value added tax of 17 percent on traders and businesses. Moreover, under the measures agreed with the IMF, the government has increased the sales tax on sugar, steel, edible oils and medium and large retailers, hitting many businesses. For addressing tax evasion issue, the government has asked the consumers to produce their CNIC number on purchase of Rs. 50000 or at the time of excess. However, after failing to negotiate with the government, All Trade Association of Pakistan decided to call a shutter down of the markets across the country in order for the government to abolish the existing tax plans. As a result of this strike, Pakistani economy suffered an estimated amount of Rupees 20 billion -25 billion causing a further damage to already dismal state of economy.

According to the trade owners, they were of the view that the unfair taxes levied on them caused division among them instead of solving their problems. Furthermore, they stated that the tax collection system was not fair as it did not include everyone in it. On the other hand, some shop keepers say that the government should restore the old system of zero-rated tax facility for five major export sectors i.e. textile, leather, carpets, sports goods and surgical goods.

The South Asian country has long suffered from a weak tax base, with only about 1 percent of its 208 million population filing income tax returns and key industrial sectors dominated by powerful lobbies that pay little or no tax. Seeing the current state of economy Pakistan is in need of taking serious steps to increase the revenue to meet the demands of running the country. This step taken by the government is in the right direction. The 17 percent tax imposed on the businesses will only help Pakistan as when the major businesses are taxed they will provide the money to the government which in return will spend that money back on the citizens –Similar to the pattern of the developed countries which will help improve the lives of citizens.

The condition of providing the CNIC at the time of purchase will help more people to be brought under tax net and it will help to avoid the tax evasion as it seeks to fulfill the budget deficit of more than 3000 billion. According to an estimate there are about 381,000 trading units that fall under sales tax jurisdiction whereas only about 47,000 of them are registered. Even worse is that among the registered business, only 17,000 pay the sales tax to the government. Therefore, the reason behind bringing the current tax policies is that the government can change the equation by bringing more traders under the tax net, improving the lives of the citizens in the long term.

In a nutshell, government needs to convince business owners to pay taxes and they should also listen to the just demands of the unions. Moreover, the people should understand that the reason of imposing the taxes is for the own betterment of the people.



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