

Government Emphasis on the Tax Collection

TAXES, AFTER ALL, ARE DUES THAT WE PAY FOR THE PRIVILEGES OF MEMBERSHIP IN AN ORGANIZED SOCIETY.”

— FRANKLIN D. ROOSEVELT

No country can develop, grow and sustain for a long period of time unless they are able to raise revenues to spend on their country. The revenues have a significant impact on the social and the economic development of a nation. The biggest source of revenues in all countries is direct tax collection. The developed countries like Europe and America have been able to make progress because they have strong tax system on the basis of which the governments collect high percentage of tax from the rich and spend them on poor and this in turn raises the standard of living in those countries. Moreover, there are hardly any non-filers found in those countries.

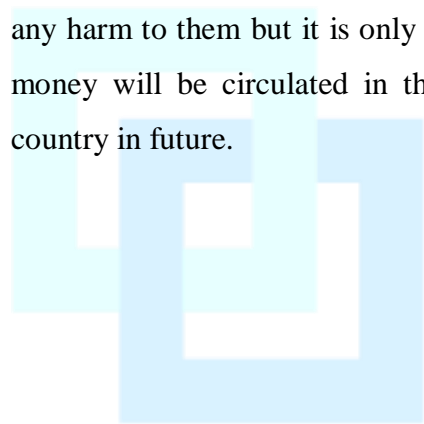
Pakistan is the world's sixth-most populous country and yet it has the world's lowest GDP-Tax ratio which is less than 11 percent. The foremost reason behind this is that only 2 million people file their income tax out of which 600,000 people are salaried persons. Therefore, due to tax evasion the government is left with only little amount of money to spend on the development and infrastructure projects of the country. Keeping in view the current situation of Pakistan, the current government is facing huge shortfall of revenue as it has to pay Rs. 2900 billion in interest payments alone this fiscal year and has a financial deficit of Rs. 3137 billion. In order to meet revenue short fall and to address the issue of tax evasion the Federal Board of Revenue is taking the required steps in order to bring more people can be brought under the tax net.

FBR has brought changes in the law for clearly explaining the shortcomings of being a non-filer as compared to the one who will file their income tax for the year of 2019-2020. Businesses who do not file their tax returns will be fined 20 percent extra sales tax for the electricity/gas bills in excess of 20000 rupees per month. Similarly domestic consumers who fail to file income tax will be charged 20 percent sales tax for the bills in excess of Rs.1.2 million per year. Moreover only filers of income tax will be able to enjoy exemptions under the income tax law. Similarly, the advance tax of 2 percent will be collected on immovable property for non - filer as compared to 1 percent from filer. If the construction of property is above 250 sq. yards the tax will be included to 10 percent for the non-filer. Purchase of a 2000 cc vehicle will cost a non-filer an extra 20,000

rupees as compared to filer. The government has also introduced a tax amnesty scheme in June 2019 in order to encourage people to declare their assets freely without declaring the source of the assets. According to an estimate, 11,0000 people benefited from this scheme by documenting themselves.

FBR has given a final deadline to people to file their income tax return by 2nd august 2019 or else they will have to face the consequences. Notices to 11,0000 non-filers have also been issued in this regard.

In a nutshell, Pakistani people need to understand that paying taxes to the government will not do any harm to them but it is only for the benefit of them. When the rich people will pay taxes the money will be circulated in the economy leading to the overall growth and benefit for the country in future.



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