

## **PRESS RELEASE**

**Islamabad, November 13, 2019:** “Tax Base: Hurdles, Opportunities and Way Forward” organized by Youth Economic Forum was an interactive session designed to enlighten the youth on the role of Pakistan. A tax base is a total amount of assets or income that can be taxed by a taxing authority, usually by the government. It is used to calculate tax liabilities. However, the uneven calculation of this base can have adverse consequences on the economy. It is considered as the key economic issue in developing countries. Youth Economic Forum is hosting an interactive session to discuss the positive impact of tax base on the economy and the number of opportunities it generates. The focus target audience for the session was young minds from different circles of life. Mr. Shabih Zaidi, Program Manager at Youth Economic Forum, moderated the session. Mr Jawad Majid (Director Islamic Banking, SILK), Mr Ejaz Rathore (Senior Partner, PKF) and Mr Shahryar Aziz (Senior Manager, A. F. Ferguson & Co.) were the guest speakers for the event.

Mr. Shabih welcomed the guest speakers and gave a brief introduction on the topic. Mr Jawad Majid continued the discussion where he discussed Focus Areas of Economy. He further said from a fragile future at the dawn of independence we’ve covered considerable ground. Inheriting an agrarian economy which was insufficient to feed 30 million people, today we not only produce enough for 200 million we also export grain surpluses and are amongst world leaders in rice, dairy and cotton. We have been able to achieve this while reducing the share of agriculture from a disproportionate 50% of GDP to under 20% today. A big part of the balance has been made up by manufacturing which was non-existent 70 years. We also have a thriving services sector spread across banking, telecommunications, media and information technology. He further added At less than 10%, our Tax to GDP ratio is sharply below in other developing countries like India at 16.8%, China and Turkey at 20.1% and 24.9% respectively along with Egypt at 15.8%. At the very least the Tax to GDP ratio needs to rise to 15% in five years and to 20% in ten years. If we are able to achieve this, our reliance on domestic and foreign borrowings will fall substantially. However, this is not easy and requires an iron will to implement and change mindsets across society.

Mr Jawad Majid further added that as of July 2019, the number of taxpayers rose by 700,000 over year according to Federal Board of Revenue (FBR). The total taxpayers as of the date are 2.154 million. He added the major issues and a few suggestions in this regard. Most of the tax collection in Pakistan has traditionally been through indirect taxes which represent 60 percent of the total tax collected. Currently the mix of tax collection from different sectors in Pakistan is such that manufacturing contributes 52 percent of all taxes while it only represents 20 percent of the GDP. Services sector contributes 37 percent of taxes while it represents 61 percent of GDP. Agriculture accounts for around 19 percent of GDP but pays less than 1 percent of all taxes, a fact that has to be changed but is not easy to be dealt with when all the feudal landowners are sitting in parliament. Agricultural tax is a provincial tax, there is a proposal of PRA in this regard but it has been opposed by tax officials. The government should create a separate entity within the FBR to administer reforms. The government needs to revisit its decision and reassign tax collection functions not only within the FBR, but also between the federation and provinces.

Mr Ejaz Rathore continued the discussion by involving the participants by taking their insight in what tax actually is. He further added that most of young generation take tax as negative where it has positive effects on

the economy. He further told that the major issue of Pakistan is tax awareness where people wish to stay out of tax bracket. Where Tax ensures the deliverance of the services offered by the government be it medical or roads. He further interacted by telling the mechanism on which the tax authorities work. He stated that agricultural industries like sugar mills or flour mills are not tax exempted but they do not pay taxes on political references. He also stated that the key issue of the departments is implementation of the policies where they wish to introduce new policies. Overlooking the gap is dangerous.

Mr Shehryar further continued that out 22 crore the tax payers are in hundreds of thousands. A small chunk of population is taking the burden then how can one expect for the government to deliver the best services. He further added that Pakistan is a free country where you can do whatever business you like after following a government procedures. He further added then why does not the business community pay taxes? The question is unanswered because they are well aware with their strike-power. If a government tries to implement a new policy related to tax, the business community goes on strike leading to a delay of the implementation further leading to the elimination of the policy.

The guests admired the efforts done by Youth Economic Forum in bridging a gap to create a sense of awareness among the young minds. Mr Jawad Majid extended his full support to YEF and advised the young minds from different circles of life to contribute their in building a progressive Pakistan.

Mr. Shabih concluded the event by giving the summary of all the guest speakers and gave an insight of a way forward. Then at the end of the event, Question-Answer session proceeded for about 30 minutes. Students and youth activists enthusiastically participated and asked questions from the guest speakers.

Youth economic forum is the Pakistan's first youth-run policy think tank which strives to bridge the gap between the youth and the policy makers. Its mission is to make policies that are more youth inclusive. This session was in alignment with its vision and presented the youth of the country to connect with the policy makers on a much deeper level.