



POLICYMAKING

Mini-budget is prompted by the need to arrest twin deficits on current and fiscal accounts

Pakistan Business Council Chief Executive Ehsan Malik

Letter to finance minister

Shift tax policymaking from FBR to new body, suggests PBC

Insists FBR should deploy its resources for expanding the tax base

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The Pakistan Business Council (PBC) has urged the government to separate tax policymaking from tax administration and collection, which are currently the responsibility of the Federal Board of Revenue (FBR).

PBC Chief Executive Ehsan Malik has written a letter to Finance Minister Asad Umar ahead of announcement of a mini-budget next week.

"Mini-budget is prompted by the need to arrest twin deficits on current and fiscal accounts; we have in the letter reminded the finance minister of the need to address the fundamental flaws impacting industry, jobs, exports, imports and tax revenue," Malik said. "This will require an equitable fiscal policy and a broad tax base."

The PBC has urged the government to separate tax policymaking from tax administration and collection, which has in the recent past resulted in short-term knee-jerk

deficit management measures that undermine long-term sustainability of businesses.

"It negatively impacts business

confidence, thereby potentially slowing the national tax revenue stream. We recommend that tax policy should promote long-term



CREATIVE COMMONS

health of business and be entrusted to a body which should have private-sector representation and be accountable to parliament," he said.

"Tax policy should also correct the imbalance between direct and indirect taxes and encourage exports and import substitution through local manufacturing. The FBR, with appropriate technology and talent, should deploy its resources to broaden the tax base. Its primary KPI (key performance indicator) should be taxes collected from new taxpayers," he added.

According to the PBC, the dual task of tax policymaking and tax collection has led to issuance of notices, demand for tax payment in advance and harassment of taxpayers. "It should be discouraged," Malik stressed.

Meanwhile, the PBC has also asked for zero-rating of export sectors. The export sectors, especially textile, are facing cash-flow issues on account of delayed tax refunds, especially of sales tax.

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"It is requested that at the minimum, the five export sectors should be moved to zero-rating to ensure that they don't feel cash-flow crunch on account of delayed refunds," said the PBC chief executive. "Automation of rebate credits to coincide with realisation of export proceeds will also help."

The PBC has also asked the government to substantially differentiate between filers and non-filers of tax returns.

"Penal tax rates applicable to non-filers are not substantially higher than for filers. A minimum margin of 3:1 should apply to encourage more to join the tax base," Malik said.