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DOTGazette

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PREPARATION

Preparation for ATAIC conference of Heads of Training of Institutes



The ATAIC(The Association of tax Authorities of Islamic Countries) was established in year 2003 at Kula Lumpur. The mission of the Association is to facilitate the improvement of tax administration and promote Sharia Taxation with particular reference to Zakat within the Islamic countries, in order to meet the challenges/changes rapidly taking place in the world. Its first conference was held at Malaysia Kula Lumpur. Thereafter the second conference was held at Tehran, Iran and the third Conference was held from 22nd to 25th November, 2006, at Islamabad, Pakistan

ATAIC with twenty member countries is presently the most active organization of Tax Administration in the Islamic World. Member countries include, Bangladesh, Brunei, Darussalam, Comoros, Egypt, Guyana, Indonesia, Iran, Iraq, Jordon, Kuwait, Lebanon, Malaysia, Morocco, Pakistan, Qatar, Senegal, Sierra Leone, Sudan, Tajikistan and Yemen.

In order to explore opportunities for further cooperation in the field of tax training, a Conference of ATAIC head of training institutes is scheduled from 12th 14th March, 2007. As Chairman, CBR Mr. M. Abdullah Yusuf, is currently the Chairperson of ATAIC, the Directorate of Training & Research [DOT] has the honour of hosting this International Conference at its Lahore Campus.

In addition to member countries, delegates from USA, Turkey and IBFD [The Netherlands] are also participating as observers. In order to make the upcoming Conference a success, the entire staff and faculty of DOT is actively engaged in organizing this event. General repairs in the International Hostel, refurbishing of the main entrance lobby and upgrading and modernization of conference room [Iqbal Hall] are underway. It is hoped that the combined energies and efforts of all involved synergize to make this event a success.

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EDITORIAL

The March issue of the DOT Gazette coincides with the welcoming gentle winds of spring beckoning us all in action.. In DOT itself, hectic preparations for the upcoming ATAIC Conference scheduled from 12-14th March are underway.

These preparations however, have not gotten in the way of all important in service capacity Building Programs organized by the Directorate. Keeping pace with the momentum of past one month, three separate Capacity Building Programs and the second Integrated Audit Training course were held in the month of February. Credit goes to the efficient organizational skills of the DOT administration for successfully managing all these activities, albeit, sometimes simultaneously.

Another achievement for DOT is the upcoming affiliation with IBFD (International Bureau of Fiscal Documentation) Amsterdam, Holland. IBFD is a world renowned institute known for research and publications on international as well as local fiscal laws and statutes. This affiliation would make all current publications of the institute and its library accessible to DOT for utilization in teaching and research.

Not to be out done in the field of physical training along with building of mental capabilities, DOT recently upgraded its Gym / sports facilities through purchase of necessary exercise equipment.

The Taxation of agricultural income in Pakistan

Income from agriculture is exempt from levy of income tax in Pakistan because the law governing the taxation of income declares such income to be outside the ambit of taxability. The continuation of this exemption for agriculturists not only deprives the federal exchequer of significant potential revenue but also sabotages attempts to inculcate the ideal of voluntary compliance which is central to the functional efficiency of any system of taxation.



Agriculturists in Pakistan contribute nothing to the federal exchequer by way of taxation of the incomes generated by them from their agricultural pursuits. The share of the agricultural sector in the total direct tax burden (federally administered) is thus zero. Considering that agriculture as an economic sector contributed more than 20% to GDP - the highest of any sector- the conclusion is inescapable that something is seriously amiss here and it is the duty of government to address the situation directly and design a system of income taxation for this sector that will cater to it's peculiar features and yet make the necessary contribution to the federal exchequer.

The argument for taxation of agricultural income rests on the fact that there exists a 'slack' in this sector in terms of untapped capability that the right kind of policies can exploit to release resources to fund the overall development effort.

That there exists an actual 'slack' in the agricultural sector in Pakistan appears to be borne out by various indices viz inefficient cropping pattern, under utilization of fertilizer, inadequate and / or improper use of pesticides / insecticides, improper use of irrigation facilities and mis-utilization of private investible potential in the hands of the farmers. Because of this 'slack' Pakistan is no where near the top among other developing countries with significant agriculture in terms of agricultural productivity and this not because Pakistan's agricultural land is inferior but because that land is not properly cultivated and the agriculturists are not much inclined to make the extra effort to do so. If tax on agricultural income was to be levied however - as was done in Japan- then perforce the agriculturist would have to put in that extra effort to increase the productivity of 'all' land -including land now labeled as marginal or barren.

Historically, we have the telling example of Meiji Japan where when in the 1880's the drive to modernize Japan was launched aggressively, heavy taxation of agriculture brought in it's wake a huge increase in land and labor productivity, quite unparalleled in the history of the world. Of course it was the successful harnessing of the dormant 'capacity' or 'slack' that led to this increase. Had there been no 'slack' taxation would only have resulted in misery for the agriculturist.

Taxable capacity of a person is based on the income that person can earn in a given period less the subsistence requirement for himself and his dependent family. What remains after meeting the subsistence requirement is the extra out of which taxes can be paid. In a society with a fairly skewed income distribution those at the upper end of the skew will have the most capacity to meet taxation levies - notwithstanding the fact that their subsistence requirements would be larger

as their perception of subsistence would be different from say a small farmer with a limited landholding. Thus average per capital income data is not really very useful in defining taxable capacity in a given sector of the economy. We must know how this income is actually distributed. Inequalities of distribution must mean differences in taxable capacity.

'Subsistence' has different implications in the agricultural and other non-farm sectors. This is because subsistence has a biological as well as a sociological basis. In strictly biological terms it entails the requirement to keep body and soul together i.e., it is essentially a 'survival' matter. In that narrow sense it can be argued that the subsistence allowance both in caloric and monetary terms would be roughly the same. However when we look to the sociological dimension we do see that 'subsistence' has a quite different connotation in the farm and non-farm sectors. Thus families in the rural areas, in general, do not spend as much on fuel, lighting, house rent etc as do their counterparts in the non-farm sectors. Infact the differences are quite significant. Furthermore, other 'necessary' expenditure that non-agricultural families in general and urban families in particular have to bear is that connected with clothing, footwear, medicines, education and even entertainment. In all these areas the agricultural family escapes much of the high expenditure enigma that the non-agricultural family cannot - though of course in varying degrees. An additional complicating factor is that non-agricultural families have to make the bulk of their purchases from the 'market' and have to contend with service and marketing costs that add to prices.

In view of what is stated above, it is apparent that 'subsistence' in the agricultural sector costs a good deal less than in the non-agricultural sector. That being so the incidence of indirect taxes- which generate the bulk of government revenues- is necessarily markedly less on the agricultural sector than elsewhere. This therefore adds to the advantage that the agricultural



sector has through the income tax exemption. In other words we can safely conclude that the tax burden there is markedly less than in the non-agricultural sectors. This is contrary to what many commentators say - especially those who speak 'for and on behalf' of the agriculturists- who would have us believe that the tax burden in infact roughly the same for the agricultural sector vs a vis the other sectors since indirect taxation which everyone has to bear must have an exaggerated impact in the agricultural sector as the majority of the population resides there. Thus lower relative subsistence requirements in the agricultural sector must mean a higher relative taxable capacity. That is why we say that the agricultural sector has the potential capability to suffer much higher taxation than it currently has to bear.

The incidence of benefits of public expenditures is another important aspect to be considered in the context of the economic argument in favor of additional taxation of the agricultural sector. An analysis of public expenditures on the current and capital account would reveal that government expenditures incidence is much greater than the tax incidence on the agricultural sector. This implies a net outflow of public funds both on the current and the capital account from the non-agricultural sector to the agricultural sector. What it boils down to is the inescapable fact that the agricultural sector is receiving much more monetary funding than it is contributing. Inter sectoral inequity is thus patent.

In Pakistan there appears to exist sound economic justification for really strong taxation on agricultural income especially on the big land owners. It is known to all that these big feudals have made a mockery of land reforms and continue to own huge tracts of prime agricultural land. It follows that the income from these landholdings also accrues to them. Notwithstanding the charges that they do bear by way of abiana etc the fact remains that their taxable capacity is enough to bear the burden of income taxation. A progressive land tax combined with a presumptive income tax could yield good results both with regard to generation of revenue and for achieving other economic objectives. However if political impediments to implementation of a progressive land tax are pronounced, other alternatives can and should be explored and these include a fairly heavy proportional land tax. Whatever alternate is chosen -or 'mix' of alternates- it should be recognized that an effective tax policy for the agricultural sector will have to be formulated in conjunction with other specific measures viz land reform, technological change and specific measures to improve the lot of the small farmer

Contributed by:
M. MUNIR QURESHI



1ST COMMON



A trip down memory lane

Dot Gazette feels privileged for commencing this journey into the past from Mr. Haji Ahmad. With the most apt educational background of Master in Administrative Sciences from the Punjab University, Mr. Ahmad joined the 1973 Batch of Civil Servants, named "The First Commons".

Starting from our March 2007 issue, DOT Gazette has initiated a new theme Captioned - "A Trip down the Memory Lane". Under this theme, beginning from 1st Common onwards, each issue shall include a special write-up on Income Tax Officers belonging to various Common Training Programs.

The purpose of these write-ups is to establish a communication link amongst officers of our group belonging to various commons.

Dot Gazette feels privileged for commencing this journey into the past from Mr. Haji Ahmad. With the most apt educational background of Master in Administrative Sciences from the Punjab University, Mr. Ahmad joined the 1973 Batch of Civil Servants, named "The First Commons".

Be it a mere coincidence of time, he was lucky enough to be groomed as a probationer in the very first batch, resulting from the then "Civil Service Reforms Agenda", where officers of various cadres /occupational groups were to be commonly trained.

Mr. Ahmad vividly remembers the initial days of service as formative phase of his life as a dedicated Civil Servant. He very proudly counts on the opportunity of working as Salary Circle assessing Officer under the ablest guidance of Mr. Abdul Aziz Khalid, the then Commissioner of the Lahore Zone nearly encompassing the entire areas now styled as Eastern Region, Lahore. Mr. Abdul Aziz Khalid, is a note-worthy poet and eloquent writer.

Mr. Ahmad quite emotively memories his early days super-ordinates, Ch. Salah-ud-Din, and Mr. Sikandar Hayat Khan; the former for his dedication to extensive development works he had undertaken and the later for being a strict disciplinarian, a researcher, thorough bred tax professional, prolific writer and poet.

The traits of being an efficient administrator with a noticeable passion for reforming the institution and love for literary activities can be perceived to be a reflection of Mr. Ahmad's grooming in the initial years of service while working with these super- ordinates.

Given the administrative milieu of the department in those old days, the idea of getting posted in the Companies Circle very after his promotion to BS-18 and then, persistently continuing as assessing Officer of Companies till further promotion in next grade, gives him a solace.

Coming true to the maxim, "Luck always favours the hard worker" Mr. Ahmad was selected in an open competition for the coveted "Mason Fellowship" at the prestigious Kennedy School of Government (KSG) at the Harvard University. Proving his worth as an excellent academician at KSG, Mr. Ahmad earned a certificate in "International Tax Program" at the Harvard Law School (HLS) in addition to Masters in Public Policy and Management.

One of the latest feathers in his cap of success, of which all members of the service are rightly proud of, is the conferment by the Prime Minister of Pakistan of "Certificate of Commendation" for the year 2005-06 on him alongwith his worthy batch mate, Mr. Salman Nabi, the Member (Direct Taxes).

Besides his dedication and commitment to the official business, he has been successful in not letting his passion for Sports and Arts diminish in any way. No wonder, he is also the Senior Vice President of Pakistan Gymnastic Federation, President of the Punjab Gymnastic Association and the Editor in Chief of the pioneer annual publication of the Regional Tax Office, "The Renaissance". He has represented Pakistan on a number of international sports congress both inside and outside our homeland.

Our discourse with Mr. Haji Ahmad, explored the soft, mellow, subtle and kind person inside the strict administrator when he remembered his passed away batch mates with un-controlled tears.

Rightly remarked by one of his batch-mates,"Ahmad is a highly qualified batch-mate, who has inherent cravings to excel in every walk of life"

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FLASH BACK

The year 1973 will go in history as Year 1 for the Civil Service of Pakistan, coming in place as a result of Administrative Reforms of early 70's. It was for the 1st time that initial training of all service/occupational groups was jointly organized at the ACADEMY FOR ADMINISTRATIVE TRAINING, LAHORE. The main campus of the academy was situated opposite The Administrative Staff College (The Mall) in Lawrence Garden in a grandiose building which is presently known as "Quaid-e-Azam Library".

The batch comprised of 247 probationers, who joined the common training program on 1st December, 1973. Unlike the later day development, group allocations were not made prior to joining the Common Training Program (CTP). Implicit in any transition are the experimentations, and differences of opinion. It was decided that final group allocation would be done on the basis of combined marks obtained in the initial Competitive Exam and Final Passing Out Examination (FPOE).

As a bye product of transition, most probably the difference of opinion between the Establishment Division and FPSC, reflected in what ultimately happened to the batch while getting allocated to various services. May be in a bid to flexing its arms, the then FPSC cleared only 16/17 probationers in the Final Passing Out Examination, setting a tough target for the Establishment Division to go for allocations. The riddle was however resolved when it was finally agreed between Establishment Division and FPSE that those probationers who cleared the FPOE shall have their first choice of group allocation and the rest of the probationers would be allocated on the basis of joint marks of competitive examination and FPOE, irrespective of their not getting through the exam. Courtesy the transition, one of our batch mates who was the last to join the training program due to dropouts of few successful candidates, got allocated to DMG group as he had cleared the FPOE.

A hind sight interpretation of history reveals that the Common Training Program has served an important national purpose of inter-provincial harmony and inter-group cohesion. By the grace of God, a sizeable number of 1st commoners are contributing to the welfare of the homeland in different important positions across the country.

Coming back to our parent service - Income Tax Group, the 1st Commoners are holding important portfolios inside / outside CBR and working continuously to serve the department and the country to the best of their abilities.

Our Income Tax Batch from 1st Common comprised of 20 bright and committed officers. Describing persons is generally difficult but once it comes to your known ones it turns out to be an uphill task. Looking back through the prism of time takes one back to memorable moment. Writing about friends and batch mates is always gratifying:

Mr. Qadirul Jalil is a good friend and batch mate, who opted for retirement from service on his own initiative. He is presently running a consultancy and family sports business in Lahore, Sialkot and London. A frequent visitor between Pakistan and Great Britain, he is touching new heights of glory in international exposure.

Mr. Zahir Kaleem is a jovial person lively to talk, who excelled amongst his batchmates to an international position in CATA. He is presently working as Executive Director of Common Wealth Association of Tax Administrators (CATA), a prestigious slot for a number of common wealth countries in the World.

Mr. Muhammad Khan, having command over both Pushto and Punjabi languages and hailing from Attock, is presently posted as CIT (Appeals) at Islamabad. He is a friend of friends, who is living his life in his own peculiar way of living.

Mr. M. Illyas Sheikh is a very lively personality from Lahore. He is presently posted



1st Row sitting L to R: Hamid Ali Alvi, S. Ansar Hussain Shamshi, Abdul Hameed Khan, Ali Asghar, Kh. Anees Ahmad (Deputy Director), M. Zafar Ali Rizvi (Asstt. Director), Kh. Muhammad Sadiq Butt, Sayed Nasrul Karim Ahmad Ghaznavi, Abdul Rauf Khan
2nd Row sitting L to R: Tahir Sajjad, Parvez Akbar Lodhi, Muhammad Saeed, Muhammad Mazhar Hussain, Ashfaque Ahmad Memon, Mukhtar Ahmad Gondal, Arshad Mahmood Malik, Hazrat Ali, Khadim Hussain Chaudhri, Inayatullah Kashani, Ghulam Qadir Mahar, Abrar Alam, Tariq Iqbal Puri
3rd Row sitting L to R: Hafeez ur Rehman Khan, Mazhar Ali Sha h, Muhammad Khan, Muhammad Asadullah Sheikh, Haji Ahmad, Malik Muhammad Ashraf, M. Mohsin Khan, Aftab Ahmad Shah, Saleem Sultan Durrani, Moin Gul Khan Afridi, Zafarullah Sheikh



as Commissioner (Southern Region), Karachi. Now settled in Karachi, he is an active participant of social life in the metropolis.

Mr. Mukhtar Ahmad Gondal, a serious minded prominent figure amongst 1st Common Income Tax Officers, is presently posted as D.G. LTU, Karachi. Earlier, in the Direct Tax Policy side of the Central Board of Revenue, he proved his mettle in negotiation of International Tax Treaties. With God gifted qualities and religious - cum - mystic leanings, he has made himself singular in the tax service and social life.

Mr. Usman Khalid Mirza is again another outstanding, sober and graceful officer of our batch, who will be the last man to compromise on his virtuous graces. He is presently posted as D.G. (Inspection & Audit) C.B.R.

Affectionately called as "Judge Sahib" by the batch mates, **Mr. Salman Nabi** was a Civil Judge before joining the Income Tax Service. He is a serious - minded career officer; besides having a ready wit and a live sense of humor. Salman is presently serving as Member (Direct Taxes) C.B.R., and thus holding the most important post in this period of transition and reforms and is managing the affairs excellently.

Khawaja M. Sadiq Butt, a representative from the beautiful valley of Kashmir, is a colleague who was always smiling and ready to help. He is now retired from service and is enjoying a peaceful family life.

Mr. Abdul Ali Khan is presently posted as Chief Co-ordinator (DPC). Mr. Khan always had an impressive and charismatic personality. A part of his charisma stemmed from his name "Hazrat Ali". When he initially joined the common training program, his name "Hazrat Ali" evoked immediate responses. When he introduced himself in the academy as "My name is Hazrat Ali", the batch mate sitting next to him retorted and said " and I am Amir Maawia!!". Hailing from Rocky Mountains of Ghazni Khel, Mr. Ali had the taste of serving across the country. Persistently practicing muslin since his childhood, he safeguards the characteristics of a Pakhtoon.

Mr. Umer Khan M ohmand was our only batch mate from FATA and has now retired from service. He served for most part of his career in NWFP. However, just before his retirement he was posted as Commissioner (Sargodha). It seemed that God wanted him to have a good taste of Kinoos and Punjabi diet before bidding farewell to the service!!

Mr. Inayat Ullah Kashani, a Baloch to the core, is our only batch mate from Baluchistan. He possesses a witty personality and an intelligent bearing. He has retired from service and one of his sons qualified for the Competitive Examination and joined the DMG Group.

Mr. Abdul Ghani Channa is presently posted as C.I.T., (Southern Region) Karachi, Channa is a thorough gentleman who has to his credit noteworthy publications in Sindhi literature.

Mr. Iqbal Muzaffar is another accomplished batch mate of ours who is presently posted as D.G. RTO (Rawalpindi). A witty and affectionate person by nature, Iqbal is also a poet with active interest in literary pursuits. He is loved alike by seniors, colleagues and juniors.

Mr. M. Farooq Ahmad Amin: Educated in Law from London School of Economics (LSE), he could not withstand the bondages of civil service and opted to quit in the early years of his career to independent life. He is presently running a successful consultancy in Karachi.

Sardar Irshad Shaheen is presently posted as the Regional Commissioner (AJK) and in that capacity he is incharge of all taxes. A poet and writer, he used to organize memorable literary gatherings while he remained posted in places such a Gujranwala, Fasilabad, Sialkot and Sargodha. As a young man he was known for his progressive leanings.

Life herein is transitory. Some of our batch mates have left this mortal world, obviously leaving a sense of profound grief amongst the survivors. All of them are so close to my heart that though physically apart, their presence is always felt by my soul . A brief introduction of those friends;

Mr. Munir A. Sheikh was a thorough gentleman and professional, who left this world at the prime of his career, leaving an indelible impression of his nice, disciplined and sober personality for his batchmates, colleagues and friends. His last assignment was as Member ITAT.

Mr. Aftab Ahmad Kohati was a hardworking and competent officer, whose untimely death in grade 19 was a sad blow to his family as well as friends.

Mr. Muhammad Arshad Malik was another of our very competent colleagues, who resigned from service in Grade 19. A jovial and well rounded personality, he established a name for himself in the field of business. Another tragedy for his family is that his brother another officer of Income Tax Group Mr. Amjad Malik, has also passed away.

Mr. Nawal Rai N. Oad was a master in figure work, accounting and law. He was always ready to guide fellow colleagues in solving problems while undertraining in the academy. His last posting was as C.I.T. Corporate Region, Karachi.

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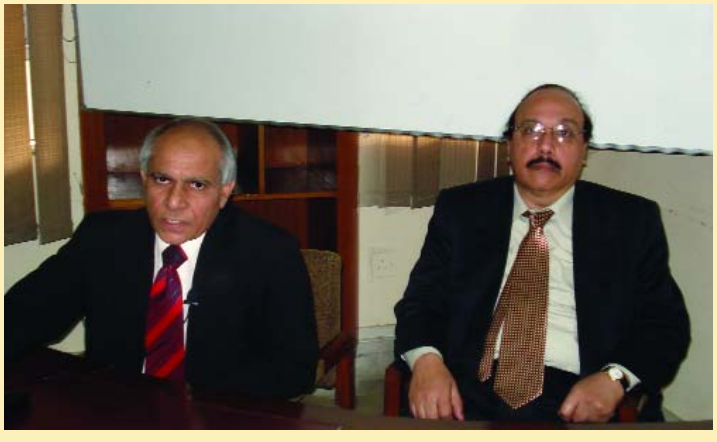
TRAINING

Training Activities Undertaken in February

The purpose of all such trainings and capacity buildings remains to expand the horizon of mid career officers of income tax group through lectures and group tasks.

The Directorate also organized two separate capacity building programs/trainings for Income Tax Officers (ITO)/Special officers and Supervisors/Administrative officers.







The DOT Lahore Campus remained busy in conducting various Capacity Building programs for officers as well as officials during February . In addition , the second session of the Integrated Audit Training Course of officers of both income tax and sales tax was organized in collaboration with Audit Wing (CBR) and Professional Academy of Commerce (PAC) .

The main focus of Capacity Building Program for grade 19 officers held from 12.2.07-17.02.07 was sensitization to important economic concepts having relevance to incidence of taxes and measurement of economic growth. Extended lectures and group discussions were held on topics such as " The phenomenon of Under ground Economy,"



" WTO-Concepts & Implication" , "Integrity Management (Working of Invigilence Wing ,CBR)"etc. In addition , two lectures were organized on " Sales tax-Concept & Practice in Pakistan" in view of the future merger of two internal taxes in RTOs and LTUs. Mr. Akhtar Ali Naeem (Ex-Collector Customs) delivered these lectures followed by a lively Q&A session. In all 32 participants in grade 19 from all over Pakistan underwent this Program. The purpose of all such trainings and capacity buildings remains to expand the horizon of mid career officers of income tax group through lectures and group tasks.

The Directorate also organized two separate capacity building programs/trainings for Income Tax Officers (ITO)/Special officers and Supervisors/Administrative officers. Both of these training programs were simultaneously organized from 12.02.07-24.02.07. Each group comprised of more than 20 officials each. The focus of these trainings was to explain the new provisions of Income Tax Ordinance 2001 and to upgrade the computer skills of the officers.

The second session of the Integrated Training Program commenced from 19th February 2007 and as previously officers of both Income tax and sales tax participated in the twelve days training program. Largely based on case study approach, the purpose of this training is to equip the officers of audit wings of both services in conducting meaningful audits. The Directorate remained fully associated in planning the course design and in provision of all allied infrastructural facilities to the participants of the course..

Inauguration of Gymnasium/Sports Room

Yet another achievement in the month of February for DOT was the inauguration of the newly created Gymnasium /Sports room .The need for proper gym facilities complete with necessary exercise equipment was being felt for the last few months. All modern training campuses provide gym/sports facilities for ensuring mental as well as physical discipline amongst the trainees.



Recognizing this need , our Director General, Mr. M. Munir Qureshi , took a personal interest in sanctioning the necessary funds for this purpose. Dr. Hamid Ateeq (worthy Additional Director & also our health mentor!!) and Dr. Yasmin Fatima (Deputy Director & another doctor!!) surveyed the market and selected the equipment comprising of electronic/ manual tread mills, Air bikes, Stepper, Twister etc.



Thus equipped , DOT is keeping up with its past efforts for making its Lahore campus an International Tx Training Academy. It is hoped that these facilities shall be properly utilized by the probationary officers as well as by the faculty. In future , there are plans for construction of a separate Gym complete wi th sports facilities like Tennis , badminton etc. under one roof. For faculty members there shall now be no excuse for extended waist lines!!

Also present at the inauguration were Mr Haji Ahmed , Regional Commissioner (Eastern Region) and Mr. Noorul Amin Hotiana (Add. Commissioner (HQ)).

