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CBR PAKISTAN

DOTGazette

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Passing Out of the Officers of 33rd STP

The Passing Out Ceremony of officers of the 33rd Specialized Training Program was held at DOT (DT) HQ's, Lahore, on the 28th of Dec 2006.Mr Muhammad Abdullah Yusuf, Secretary General, Revenue Division and Chairman CBR, was the chief guest. Mr Muhammad Talha, Member (HRM), CBR, Mr Salman Nabi, Member.(Direct Taxes), CBR, Mr Haji Ahmad, RCIT, (Eastern Region), Mr Umar Farooq, DG, LTU, Lahore, DOT Faculty Members and guests from the private sector, including bankers, lawyers and doctors also graced the occasion.

The officer's of the 33rd STP went through an eight month long training program that started on the 26th of April, 2006 and concluded on the 27th of Dec. The specialized training at DOT in accountancy, law, office procedure, computer skills including TMS comprised the second phase of the IBA MBA program [the 1st phase being the CTP at the Civil Services Academy, Walton, Lahore] and the officers will now join IBA Karachi for the final phase after which the successful participants will be awarded an MBA Degree in Tax Administration. The specially tailored MBA in Tax Administration is now an integral part of the Income Tax Group probationary officer's pre-service training regimen and is designed to instill specialized skills in the officer's that will have a direct bearing on the work that they will be eventually doing in the deptt.

Speaking to the officer's on the occasion, Mr M Abdullah Yusuf, congratulated them on their successful completion of the STP and advised them to have a positive outlook and make full use of the unique training opportunities being provided to them, including the MBA in Tax Administration at IBA, Karachi . "Education should be a welcome opportunity whenever it comes," he said.

Addressing the officer's, Mr Muhammad Talha, Member (HRM),CBR, expressed the hope that the new skills that they will acquire in accountancy, audit, management and business studies at the IBA Karachi will enable them to not only discharge their duties efficiently but will give new meaning to the reform effort currently underway in CBR and it's field formations.

Mr Salman Nabi, Member, Direct Taxes, CBR, said that DOT had evolved into an important training institution and the good work done here had already borne fruit

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ڈاٹ گزٹ

الوداع اے مادرِ علمی

کہتے ہیں کہ زندگی ایک کتاب کی مانند ہے جو کہ مختلف حصوں، ابواب اور اوراق پر مشتمل ہے۔ ورق پلٹے جاتے ہیں، کتاب نئے ابواب اور حصوں میں داخل ہوتی ہے اور ان کی تکمیل پر نئی منزلوں کی جانب بڑھتی ہے۔ تاہم کچھ اوراق ایسے ہوتے ہیں جنہیں بار بار پلٹ کر پڑھنے کو جی چاہتا ہے کہ ان پر انمول واقعات نقش ہوتے ہیں۔ فرق صرف یہ ہے کہ زندگی کے یہ اوراق کسی کتاب کی طرح پلٹے نہیں جا سکتے، صرف ہوا کے خوشگوار جھونکے کی طرح یادوں میں محفوظ رہ جاتے ہیں۔ ڈاٹ میں 33 ویں خصوصی تربیتی پروگرام کی ٹریننگ کے دن بھی کچھ ایسے ہی ہیں۔ 2 دسمبر 2006 کی خنک شام میں یادگار الوداعی تقریب کے اختتام پر یہ دن بھی خوبصورت یادوں کا حصہ بن گئے۔



ڈاٹ آئے۔ تربیت کے دن ایک ایک کر کے گزرتے رہے۔ اساتذہ کی بھرپور رہنمائی اور تعاون نے کتاب کے مشکل مضامین کو آسان بنا ڈالا۔ ڈائریکٹر جنرل نے اس عمل میں بھرپور ذاتی دلچسپی لیتے ہوئے کتاب اور نصاب سے ہٹ کر لیکن تربیت سے عین متعلقہ عملی اور تحریری مشقوں سے سونے کو کندن بنانے کا عمل جاری رکھا۔ اس دوران 32 خصوصی تربیتی پروگرام کی الوداعی تقریب، باٹا فیکٹری، انگورہ مل، چھانگا مانگا، مری اور ایبٹ آباد کے مطالعاتی دورے، چیئرمین CBR سے ملاقات، بیڈمنٹن کے مقابلے اور ڈاٹ گزٹ کا اجراء اس دور کے یادگار ترین لمحات رہے۔ تعلیم اور امتحانات کے مراحل سے گزرتے ہوئے تربیت کے یہ خوبصورت دن تکمیل کو پہنچے۔ اس سلسلے میں 28 دسمبر کی شام ایک پُر وقار تقریب کا اہتمام کیا گیا۔ چیئرمین CBR جناب عبداللہ یوسف مہمانِ خصوصی تھے۔ ممبر ڈائریکٹ ٹیکسز جناب سلمان نبی اور ممبر HRM جناب محمد طلحہ اور دیگر سینئر افسران کی موجودگی نے تقریب کی خوبصورتی کو چار چاند لگا دیئے۔ جبکہ میزبان کی حیثیت سے ڈائریکٹر جنرل ڈاٹ جناب منیر قریشی اور دیگر افسران مہمانان گرامی کیلئے چشم براہ تھے۔ 33 ویں خصوصی تربیتی پروگرام کے PMC محمد کاشف نے مہمانان کا شکریہ ادا کیا۔ تقریب کے باقاعدہ آغاز کے بعد ڈائریکٹر جنرل نے ڈاٹ میں تکمیل شدہ، جاری اور آنے والی سرگرمیوں کا خلاصہ پیش کیا اور 33 ویں خصوصی تربیتی پروگرام کے انعام یافتہ افسران سے حاضرین کو متعارف کروایا۔ ممبر ڈائریکٹ ٹیکسز اور ممبر HRM نے IBA میں MBA کے دوران آنے والے تربیتی مراحل کی



۳۳ویں خصوصی تربیتی پروگرام کے افسران کی پاسنگ آؤٹ کی یادگار تصویر

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DOTGazette

EDITORIAL

The month of December, 2006 was very hectic at DOT. This month the probationers of 33rd STP of Income Tax Group completed their training.

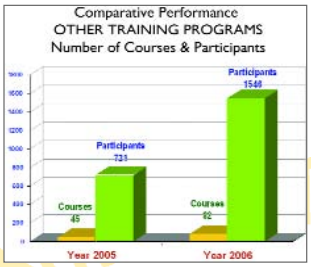
Final passing out examination of the probationers of the 33rd STP was held at DOT in the start of December, after which they proceeded to their FPOE at FPSC which ended on 27th of December.

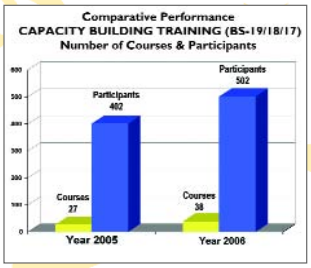
The passing out ceremony of 33rd STP was hled on December 28, 2006. Secretary General, Chairman, CBR, Mr. Muhammad Abdullah Yousaf graced the occasion with his presence.

The batch would join IBA Karachi on 8th of January for the specially designed Tax Management MBA Program. The faculty members & DOT administration played a commendable role in the training. It speaks volumes of their efforts that they made the probationers, with diverse educational background, pass through this ordeal successfully. The whole batch was feeling gratified and elated on the successful completion of their STP.

For this we owe special gratitude to the D.G. who took personal interest in the training, especially the presentations on national and international issues, role play sessions and case studies, through which he confronted the officers with policy issues and practical problems.

DOT faculty deserves more gratitude than these words can contain. We hope we will continue to benefit from their guidance through the thick and thin of our future careers.





as was evident from the fact that there had been a 20% increase in Return filers which, in his opinion, was largely relatable to the increased efficiency of departmental officer's in discharging their duties in the field.

Mr M Munir Qureshi, DG(DOT), made a presentation explaining the important events in the DOT calendar in 2006. He said that three STP batches [the 32nd, 31st and 33rd STP respectively] had completed their training in one calendar year which was unprecedented.

The DG pointed out that besides their regular training program the probationers made presentations on a wide variety of subjects and engaged in 'role play' sessions that helped build up their confidence and improve their problem solving capabilities. Eminent speakers from the private sector also addressed them on significant issues.

The DG(DOT) said that given the excellent DOT training facilities and physical infrastructure every effort should be made to transform DOT into a regional training hub with an International outlook.

He pointed out that an ATAIC international conference on revenue forecasting had already been held at DOT in 2005 and another conference of ATAIC Training Institute Heads was being planned for March 2007.

Earlier, the PMC, Mr Kashif Aslam thanked the DG(DOT) and Faculty for providing excellent facilities and cooperation to the probationers during the training program.

The Chairman CBR distributed certificates to the successful probationers and awards to position holders. Memento's were presented by DOT to the Chairman CBR,
Member CBR (HRM), and Member CBR (Direct Taxes).
The ceremony was followed by a bonfire, dinner and a musical program.

DOT Report Card - 2006

- Three STP batches complete their training in one calendar year [unprecedented]
- May 06,: Workshop on Integrated Training Strategy
- June-06: Launch of TMS Training Program
- Aug 06: DOT Launches DOT Gazette
- Breaking new ground DOT launches training initiatives for support staff
- Capacity Building continues on new improved lines
- DOT represented in 3rd Technical ATAIC Conference hosted by CBR in Dec 06
- DOT Participates in 1st ever Workshop on Integrity Management hosted by HRM Wing at Bhurban, in Dec 06.
- DOT facilitates holding of Audit Working Sessions by Audit Wing of CBR -- Dec 06

AWARDS HOLDER


Munir Ahmed Ch. (Best Probationer)


Azhar Jehangir (2nd Best Probationer)


Ms. Attiya Rehman (Best Female Probationer)


Capt. Arsam Aftab (Best Conduct)

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DOT TIMELINE 2006

JANUARY

Inauguration of Badminton Court.



FEBRUARY

32nd STP- Final Passing Out Ceremony.



MARCH

Training in the Tax Management System (TMS) Launched.



APRIL

DOT hosts an All Pakistan Mushaira



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DOT TIMELINE 2006

MAY

DOT hosts Integrated Training Strategy Workshop.



JUNE

31st STP Probationer's country study tour



JULY

31st STP Final Passing Out Ceremony



AUGUST

DOT gazette launched.



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DOT TIMELINE 2006

SEPTEMBER

33rd STP Probationers make Field Visits



OCTOBER

Mr Ishrat Hussain, Chairman NCGR & Former Governor, State Bank of Pakistan, Visits DOT.



NOVEMBER

***DOT participates in the 3rd Technical ATAIC Conference *33rd STP Country Study Tour *Chairman CBR inaugurates new DOT Conference Room.**



DECEMBER

***DOT participates in the first Integrity Management Conference at Bhurban organized by CBR HRM Wing * DOT is the venue for the first three day National Audit Working Sessions organized by CBR Audit Wing * 33rd STP_ Final Passing Out Ceremony.**



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RESEARCHARTICLE

Direct Taxation of Income in Pakistan, 1947 -2006 - an overview.

The lack of equity between sectors is a major flaw in Pakistan's tax structure. It provides the 'raison detre' for evasion of tax by those deriving income from sectors other than agriculture. They see no difference in income earned by them from manufacturing and that earned by those engaged in agriculture. It is difficult to comprehend why a feudal earning a crore of rupees or more annually from say an orchard or land holding should be granted exemption from levy of income tax.

Contributed by
M. Muneer
Qureshi



Pakistan's tax to GDP ratio in 2005-06 is less than 10 and it has hardly 1.7 million taxpayers on the tax rolls. Given a population of 165 million this translates into a very narrow base indeed [1.03%]. On the Gini scale, Pakistan ranks at 41 and that indicates fairly pronounced inequality in the distribution of income. Almost sixty years of progressive tax rates appear to have had little or no effect in reducing inequalities in the distribution of income. GDP is pitched at the equivalent of just about $4 bill that yields a per capita income of some $ 2,400. As a consequence, overall, taxable capacity is limited and the existing taxpayers get squeezed ever more as the need for additional revenues increases. Between sectors, there is a significant lack of equity. Both manufacturing and agriculture contribute roughly 20% to GDP. However Manufacturing contributes approximately 65% of the income tax paid to the federal exchequer while agriculture contributes just over 1%. Similarly, wholesale and retail trade contribute about 17% to GDP and only 2.8% % as income tax. Again, Transport, Storage and Communication contribute 14% to GDP and just 4.5% as Income Tax.

The lack of equity between sectors is a major flaw in Pakistan's tax structure. It provides the 'raison detre' for evasion of tax by those deriving income from sectors other than agriculture. They see no difference in income earned by them from manufacturing and that earned by those engaged in agriculture. It is difficult to comprehend why a feudal earning a crore of rupees or more annually from say an orchard or land holding should be granted exemption from levy of income tax. After all, income is income- whatever it's source.

The rationale for the federal tax exemption for income from agriculture is stately constitutional insofar as agriculture being a 'provincial' subject, income therefrom too must, it is argued, fall within the purview of the respective provincial government- where it arises. Well, if the income derived from agriculture can't be taxed by the federal government, what prevents the provincial government from doing so? After all provincial governments do levy taxes- so why not a tax on income from agriculture as well?

The fact of the matter is that no one seems to be willing to do so. Agriculture is cited as a 'difficult' sector of the economy subject to the vagaries of the weather and supposedly riddled with multiple problems. Imposing a tax on income from agriculture would statedly result in an insufferable burden for the average farmer and would ruin him .Especially in Punjab, the average landholding is cited as not supportive of an income tax and any such taxation would render the cultivation of the land on commercial lines as uneconomical.

Historically, when tax has been levied on income, the general principle has been that 'all' income, regardless of source, is subject to taxation. In post Meiji Japan, agricultural income came to be taxed steeply and, paradoxically, the yield from land increased as land hitherto neglected and considered to be 'marginal' was brought into use through intensive cultivation using scientific methods to increase output so as to yield additional income to compensate for the increased 'cost' of cultivation consequent to the increase in taxation on agricultural income. Infact the 'surplus' from agriculture funded the development of the new manufacturing sector as second hand technology was imported, installed and put to use in Japan. Promising students in engineering and the sciences were sent abroad to learn first hand - and then return to Japan to put their newly acquired knowledge and experience to use in the motherland.

With steep taxation on agriculture coupled with the 'surplus' generated from more intensive and efficient cultivation of land providing the wherewithal for investment in plant and machinery, the Japanese economy developed rapidly and the systematic 'capital deepening & widening' changed the complexion of the economy from that of mainly agricultural in the mid 19th century to that of an industrialized economy by the 1930's. The irony however is that taxation of agricultural income actually 'improved' agriculture rather than 'ruin' it - as many had feared. In Pakistan, a century and a half later, these (unfounded) fears still persist and keep the wholly unwarranted

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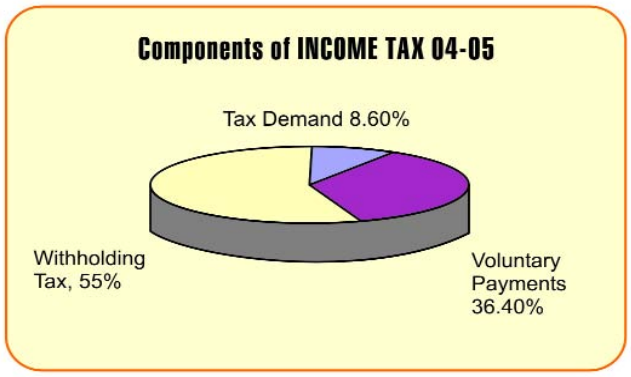
exemption for agricultural income firmly on the statute. One can only hope that better sense will prevail - and soon.

While Meiji Japan was a sovereign state, India in the mid 19th century was a British colony- and remained a British colony till the mid 20th century.Resultantly, the governments of the day in the two countries had different perceptions about economic development. Japan was determined to industrialize and 'catch up' with the western powers as it saw industrialization essential to a rapid increase in 'earning power.' Industrialization went ahead even though Japan had no natural mineral resources like iron ore, coal and no oil.The British on the other hand saw no need to industrialize India.In their view, India had 'comparative advantage' in agriculture and 'comparative dis-advantage' in manufacturing and so it made eminent sense, in their view, to develop agriculture. It also made sense, again in their peculiar view of the situation as it obtained then in India, to 'cultivate the rural aristocracy' -largely, creatures of the British- that owned much of the agricultural land. And what better way to 'cultivate' the agriculturist's of India than to grant them a blanket exemption from levy of any Income Tax on the income derived from sale of agricultural produce?

While agriculture received 'preferential' treatment with regard to taxation of agricultural income, manufacturing was actively discriminated against. Not only was income derived from manufacturing subjected to income tax, the tax rate structure was such that the higher slabs of income had the highest marginal rate of tax- so high infact as to be seen to be almost confiscatory. Needless to say this was not conducive to making investment in manufacturing. Fiscal policy thus had a good deal to do with India's relatively poor industrial infra structure- especially in the areas that came to constitute the new State of Pakistan and it is now being speculated -including informed opinion in academia- that this state of affairs was not 'accidental' but deliberate and was deliberately contrived to ensure a steady supply of 'primary' goods and raw materials - cotton for one- from India to the textile mills of Manchester and Birmingham in Britain and also a ready market, in India, for the finished products of British Industry.



It is indeed ironic that in the post war period when many former 'colonies' became independant much so called 'informed' opinion in the west- including many academic's with impeccable credentials such as the Swedish researcher Gunnar Myrdal, of 'Asian Drama' fame, continued to advise developing third world countries that their salvation lay in a high enough tax rate structure that would 'ensure' that much needed tax revenue was put in the State coffers. The great fear was that given the narrow tax base, any reduction in tax rates would necessarily lead to a fall in tax revenues - and the greater the reduction in tax rates the greater the fall in revenue.

The almost perversely high tax rates continued to plague the fiscal scene in Pakistan till the mid '80's. There were three tax rates for the corporate sector, one each for Banking Companies, Public Limited and Private Limited Companies with the highest tax rate reserved for Banking Companies and the lowest for Public Limited Companies. Private Limited Companies were placed in between the two. For personal Income taxation, the highest marginal rate was pitched at an incredible 97% in the 1950's but came down to 60% in 1983-84 and then down further to 45% in 1986-87 to be further reduced to 35% in 93-94 and to 25% in 2006. By tax year 2007, the three tiered corporate rate structure will be a thing of the best and there will only one flat rate of 35% for all companies.

In the late 1970's the existing income tax statute- a carryover from the colonial era- was perceived as having become cumbersome with the many amendments made over the years. Moreover, the exemption for income from agriculture was also being seen as an anamoly and these deficiencies were addressed in a new income tax statute prepared to supersede the old income tax statute. But lo and behold, such is the power of vested interests that the exemption for income from agriculture was soon restored in the new tax statute, the income tax Ordinance of 1979 and the 'status quo' maintained. The narrow tax base enigma was thus not resolved - and continues to haunt us to this day.

With the yield from income tax on a 'plateau,' only a dramatic change in the tax statute was seen as making it possible to bring about a significant escalation in income tax revenues. This change finally came about in the early 1990's when a system of income tax withholding at source on a wide range of transactions was introduced and in it's wake followed the expected surge in income tax collections with the result that by 1995-96 the tax to GDP ratio shot up to 13.7% from the previous almost static level of 12% or so.

Another change in law that has had a salutary effect on revenue collections was the so called system of presumptive income taxation. Over the years a number of economic activities such as those related to imports, exports, execution of contracts etc, income wherefrom was subject to normal law assessment were seen as having become problematic insofar as the normal law assessment would usually result in a refund after allowing for credit of tax deducted at source and the issuance of this refund would make a dent in collection and lead to all sorts of complications including proper verifica-

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tion of the payments claimed to have been made and the serious problem of corruption. A possible way out was to reduce the rate of tax deduction at source and to render the tax deduction at source as final discharge of income tax liability. This did away with the need to pass any formal order of assessment and avoided issuance of any refund.

While 'presumptive taxation' may have been Ok as a short term, 'stop gap' measure, it is clearly not suitable as long term policy. Presumptive taxation targets 'receipts' not 'income.' There is no objective method to convert receipts into income 'at a glance' as it were. It imposes inequitable tax burdens. There is no 'adjustment' of tax paid because there is no formal assessment. 'Full and Final' discharge of liability is more akin to 'appropriation' than taxation.

Tax withholding in advance of the actual earning of 'income' can create a perception of inherent unfairness -especially when it is not possible to fully adjust the deducted tax . It also creates a financial burden not easily understood and appreciated because there is no obvious nexus with income. Tax deduction in advance of the actual earning of income is the opposite of 'tax deferral' and entails a cost that the payer may find to be completely unwarranted.

Such a system clearly does little to inspire confidence.

For all these reasons, the government is committed to phasing out tax withholding and presumptive taxation. However that is not going to happen any time soon because there is the apprehension that a sudden move to abruptly do away with the system might lead to a serious fall in revenues.

A problem with regard to the corporate sector in Pakistan, especially the private corporate sector has been the persistent declaration of net loss when the Return of Income / loss is filed and the suspicion is -actually much more than suspicion- that the loss is mostly artificially contrived and not genuine. The improvisation made here to offset the loss to the exchequer that such declarations entailed was to levy a tax on the turnover declared by corporate entities. This 'turnover tax' brought in much needed revenue but led to an outcry that such tax of turnover was not 'income taxation' and was therefore not legal under income tax law. The statutory provision was strongly contested by the affected taxpayers and equally strongly defended by the income tax department and the matter eventually went right up to the Supreme Court. In a landmark judgment the Apex Court ruled that such levy of tax on turnover was not illegal.

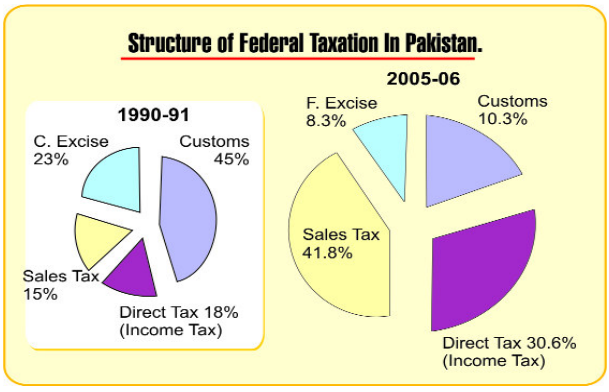
While statutory enactments such as those described above were specifically designed to lead to increase in income tax revenue collection, beginning in the mid '80's the tax rate structure for corporate and personal income underwent a significant change and tax rates were reduced, tentatively at first and then deliberately with the conviction that such reduction in tax rates would not lead to any precipitous fall in revenue. Much of the intellectual underpinning for this radical move was provided by the American economist, Arthur B. Laffer of Chicago University. He in turn referred to the writings of an arab muslim scholar some 600 years earlier, Ibn e Khaldun.In his masterpiece, Muqaddimah, Ibn e Khaldun observed that:

".....as the tax rate goes beyond the moderate rate, the taxpayers compare their tax liabilities with their profits and become pessimistic and as a result do not promote economic growth and development. A large number of people refrain from productive economic activities thus causing a decline in the accrued tax revenue to the state."

This was precisely the argument made by Arthur B. Laffer. He drew a simple yet elegant diagram - apparently first drawn by the professor on a napkin as he had dinner with a friend at a restaurant- to explain the proposition and the 'Laffer Curve' soon became well known and came to be referred to frequently, in academia as well in government circles as policy makers in developing, so called 'third world countries', grappled with the seemingly intractable problem of effective resource mobilization. Briefly, the Laffer curve showed that starting from a zero rate of tax, given the size of the tax base, upto a point, an increase in the tax rate will increase tax revenue. Tax rate increase beyond that point will decrease revenue. At the extreme 100% tax rate, tax collection will be zero. The curve further clarifies that for any given level of tax revenue collected, given the size of the tax base, there are two rates of tax capable of achieving the collection- a high rate and a low rate, and it is much better, in terms of it's economic effects, that the lower rate option be exercised to realize the given collection of tax.

India was one country that appeared quite enamored of the Laffer curve logic and resorted to systematic tax rate reduction AND opening up of the economy by de-regulation and privatization coupled with development of the I T sector. The move paid rich dividends and India's coffers swelled with increased revenues and sharply increased exports and foreign exchange reserves went up dramatically.

As Pakistan followed suit and reduced tax rates all round, the much feared decline in revenues did not happen. In fact tax revenue actually increased - fully consistent with the logic of the 'Laffer curve.' What has surprised everyone though is that even when self assessment of income became universal in Pakistan for the first time ever



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through the income tax ordinance 2001, there was no fall in tax revenue. Again this appears to be in keeping with the argument made by Laffer - and six centuries earlier, by Ibn e Khaldun.

While the tax statute was redesigned there was also a redesign of the administrative arrangements made to mobilize revenue. The entire tax hierarchy was re-modeled on functional lines and primary authority to levy tax and collect revenue was now invested in the person of the Commissioner of Income Tax in sharp contradistinction to the previous arrangements when the Income Tax Officer occupied pivotal position. Needless to say the Commissioner would delegate authority down the line and would not be doing everything himself but nevertheless a sea change has taken place in the conceptual framework laid out by government for the assessment and collection of income tax and this change is expected to go a long way in building up taxpayer confidence and improvement in compliance levels. Concomitantly, the compensation package for selected tax personnel in all categories - officer's as well as support staff- has been significantly augmented. Ultimately, some retrenchment of personnel rendered redundant appears inevitable but the measures in their totality are definitely expected to improve efficiency all round and that should translate into a much better tax to gdp ratio than it's present abysmally poor level.

The plethora of 'exemptions' stipulated in the second schedule to the Income Tax Ord '79 have been another reason for the low tax yield. Over the years this fiscal concession in the guise of a five year 'tax holiday' normally extended to a second five year term, was seen an important incentive measure for 'new industry' especially in the far flung regions of the country with deficient infra structure. While the blanket exemption from levy of income tax may certainly have 'facilitated' investment in new industrial projects, it is highly questionable whether the income tax exemption 'per se' was actually instrumental in the investment decision. Informed opinion today appears not to hold such exemption to be the key factor in an investment decision and 'non tax' factors are now considered to have been much more important. However an important 'exemption lobby' was certainly created that ensured it's retention on the statute and the large number of concessions accorded have played their part in reducing 'tax yield.' In the new Income Tax Ordinance 2001, the number and variety of 'exemptions' have been reduced - but not eliminated. However CBR is now committed to a policy of not encouraging tax exemption as a policy measure.

Besides the 'tax holiday' the statutory provisions related to an accelerated allowance for depreciation are of significance in reducing the taxable income of 'new industry.' This allowance is retained in the new tax statute and has played a key role in reducing tax liability - and also tax yield.

Tax concessions, once accorded, tend to become an almost permanent feature. These do erode the tax yield and have no clear and direct causal relationship with an investment decision. That being so dependence on such concessions ought to be avoided in the future.

While all these changes are no doubt hugely significant in the context of revenue mobilization, the seemingly un-hindered growth of the 'informal sector' poses a grave challenge to tax administration in Pakistan. Over the years the so called 'parallel economy' has ballooned in size from Rs 15 bill odd in 1973 to Rs 1500 bill in 2006 with a 'tax evaded' component of Rs 2.15 billion in 1973 and Rs 180 bill in 2006. As a percentage of GDP, the 'Underground Economy' comprised 20% of GDP in 1973 and in 2006 this has increased to 35% of GDP. This sector robs the exchequer of desperately needed revenues, prevents enlargement of the tax base, undermines the 'rule of law,' acts as a brake on the growth of the formal sector, corrupts national income data, confounds economic planners, and burdens tax administration to the detriment of revenue. To be sure, the 'informal sector' is not ' all bad.' It does provide employment and income -albeit, mostly subsistence level income - and consequentially also some dignity- to a large segment of the national labor force and that is of course much better than unemployment and all it's attendant ills. Nevertheless, the fact that this sector is largely undocumented, pays no tax and contributes to the perpetuation of a tax base that is extremely narrow [only 1.7 mill registered taxpayers in a population of 165 mill] must mean that it cannot be ignored and it is incumbent on tax administration to deal with the problem 'head on.' The new tax statute does help as non maintenance of regular accounts now entails significant penalty and can lead to prosecution and incarceration in a penitentiary - something that was absent in the old tax law-. However it appears that technology will have to be brought into play in a big way if it's continued growth is to be arrested and put into reverse. The tax reform initiatives involving computerization of tax procedures, networking, setting up of a relational data base, data mining etc are all of extreme importance as they will make it possible to collate data meaningfully and zero in on tax evaders. Only when this has happened in a big way will it be possible to have a significant impact on the 'informal sector.' Once the department achieves such capability it will then become possible to enlarge the tax base significantly and augment revenues meaningfully. The 'spin off' from advanced technology brought into play will enable departmental officer's to not only arrest and reverse the growth of the 'informal sector' but very importantly, will also provide the wherewithal for dealing effectively with the chronic understatement in turnover [and the resultant understatement of the Net Income declared in the tax Return] in the retail and wholesale sectors and also the manufacturing sector. Effective 'electronic surveillance' holds the key to 'tax compliance' and the sooner the department makes headway in this crucial area the better it will be for revenue mobilization. If there is a magic wand that tax administration can put into play to boost revenues, this is it.

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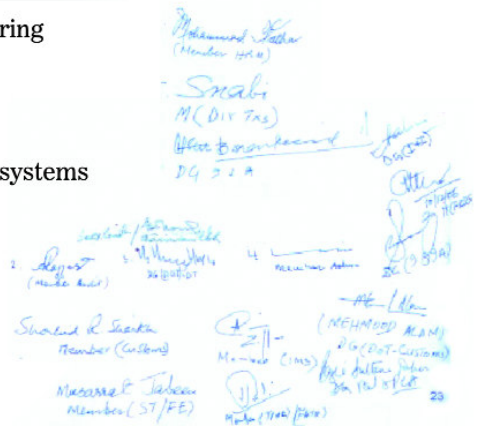
CBR PAKISTAN

Revenue Division
Central Board of Revenue
Government of Pakistan

CBR Integrity Management Policy Statement

CBR is committed to attaining the highest standard of integrity, ensuring adherence to public duty, professionalism and ethical values.
We will achieve this by adopting a policy of;
"Zero Tolerance towards malpractice by CBR Employees
"Strengthening our internal controls and accountability
"Simplifying / automating procedures and improving our operational systems
"Educating our employees and clients
"Providing a motivating environment for our workforce
"Ensuring adherence to rules and regulations through effective training and monitoring



Ibn-e-Khaldun, 'Abd al-Rahman (1332-1406)

His most important philosophical work is the Muqaddima, the introduction to a much longer history of the Arabs and Berbers. In this work, Ibn Khaldun clearly defines a science of culture and expounds on the nature of human society and on political and social cycles.

Ibn Khaldun's work on the philosophy of history is a landmark of social thought. Many historians - Greek, Roman, Muslim and other - had written valuable historiography, but here we have brilliant reflections on the meaning, pattern and laws of history and society, as well as profound insights into the nature of social processes and the interconnections between phenomena in such diverse fields as politics, economics, sociology and education. By any reckoning, Ibn Khaldun was the outstanding figure in the social sciences between Aristotle and Machiavelli, and one of the greatest philosophers of history of all time.

His most important philosophical work is the Muqaddima, the introduction to a much longer history of the Arabs and Berbers. In this work, Ibn Khaldun clearly defines a science of culture and expounds on the nature of human society and on political and social cycles. Different social groups, nomads, townspeople and traders, interact with and affect one another in a continuous pattern. Religion played an important part in Ibn Khaldun's conception of the state, and he followed al-Ghazali rather than Ibn Rushd as a surer guide to the truth.

The work on which Ibn Khaldun's reputation chiefly rests is and learning its grammar, and on the use of intuition as opposed to logic in solving difficult problems, can still be read with profit.

However, it is Ibn Khaldun's views on the nature of the state and society which reveal most clearly both his profundity and the originality that marks him off so sharply from his Muslim predecessors and successors.

The overwhelming impression given by Ibn Khaldun's writings is that society is an organism that obeys its own inner laws

Ibn Khaldun sees the historical process as one of constant cyclical change, due mainly to the interaction of two groups, nomads and townspeople

Ibn Khaldun does occasionally refer to the existence of turning points in history, and thought that he was himself witnessing one of them. The main cause for this great change was the Black Death, which had a profound effect upon Muslim society, together with the Mongol invasions; and he may also have been impressed by the development of Europe, whose merchants and ships thronged the seaports of North Africa and whose soldiers served as mercenaries in the Muslim armies. He suggests that a general change in conditions can produce an entirely new social and political scene, rather as if a new world had been created.

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ہماری یادوں میں 26 اپریل 2006ء کا وہ دن آج بھی محفوظ ہے جب پہلی بار ہم سول سروسز اکیڈمی سے فارغ التحصیل ہو کر تکمیل کو پہنچے۔ اس سلسلے میں 28 دسمبر کی شام ایک پُر وقار تقریب کا اہتمام کیا گیا۔ چیئرمین CBR جناب عبداللہ یوسف مہمانِ خصوصی تھے۔ آغاز کے بعد ڈائریکٹر جنرل نے ڈاٹ میں تکمیل شدہ، جاری اور آنے والی سرگرمیوں کا خلاصہ پیش کیا اور 33 ویں خصوصی تربیتی پروگرام کے انعامات تقسیم کیے۔ حاضرین سے خطاب میں چیئرمین CBR نے مستقبل کے مراحل میں افسران کی کامیابی کیلئے پرامید اور نیک تمناؤں کا اظہار کیا اور عملی زندگی میں ان افسران کی عمدہ کارکردگی کی توقع بھی ظاہر کی۔ روایت





بدولت انکم ٹیکس آرڈیننس، اکاؤنٹنگ اور کمپیوٹر سے یکسر نابلد افسران کو ان میں مہارت حاصل ہوئی۔ تقریب کے بعد پُر تکلف کھانے اور محفل موسیقی کا اہتمام تھا۔

یوں ہمارے تربیتی سفر کا دوسرا مرحلہ مکمل ہوا اور اب ہماری توجہ اور سوچیں کراچی اور IBA پر مرتکز ہیں۔ جہاں ہمیں اس مرحلے کی کامیاب تکمیل کی خوشی ہے وہیں کہیں ان دنوں کے گزر جانے کی ذرا سی اداسی بھی ہے۔ گو کہ ڈاٹ سے ہمارا تعلق تو کبھی ختم نہیں ہوگا تاہم تربیت کے یہ دن، جب کہ ذمہ داریوں اور توقعات کا بار عملی زندگی سے تقابل میں نسبتاً کم ہوتا ہے، دوبارہ لوٹ کر نہیں آئیں گے۔ ہم ڈائریکٹر جنرل ڈاٹ، تمام افسران اور انتظامیہ کے تمام







افراد کے شکر گزار ہیں اور امید رکھتے ہیں کہ گزرتا ہوا وقت ہمارے تعلق پر گرد جمانے کی بجائے اسے مزید مضبوط بنانے کا باعث بنے گا۔ تربیت کا یہ خوبصورت باب ہماری زندگی کی کتاب میں ہمیشہ ایک خوبصورت یاد کی طرح محفوظ رہے گا۔

عاصمہ آفتاب