39th Issue

DOTGazette

INSIDE THIS ISSUE

- Chairman FBR presides over the Passing Out Ceremony of 40th STP
- Taxation for Development an Analysis of South Asian Countries, by Dr. Ishrat Hussain
- Pictorial - Passing Out Ceremony of 40th STP
- DOT Cricket Team wins tournament
- Aiming for a Paradigm shift in Training, by Amina Hassan

PATRON-IN-CHIEF:
Chairman, FBR

PATRON:
Ms. Sameera Yasin
Director General DOT(IR)

EDITOR-IN-CHIEF:
Amina Hassan
Additional Director
In-service Training/ IT/Research

ASSISTANT EDITOR:
Layout & Design
Asad Ali
MIS Officer

Directorate General of Training & Research (Inland Revenue), Lahore.
Ph: +92-42-99260347
Fax: +92-42-99260346
Web: dgtrdt.gov.pk
Email: dg@dgtrdt.gov.pk

Chairman FBR presides over the Passing Out Ceremony of 40th STP

Passing out ceremony of officers of 40th Specialized Training Program was held on November 20th, 2013. Chairman, Federal Board of Revenue, Mr. Tariq Bajwa graced the occasion as chief guest.

He was given a warm welcome by Director General, Ms. Sameera Yasin & Director, Mr.Sheraz Mirza and faculty members of DOT (IR), Lahore.

The DG in her welcome address said she was a firm believer in the fact that in the brief period fixed for STP the faculty had tried to make the training as comprehensive and as practically oriented as possible. She advised the young officers to perform their duties in field offices with integrity and dedication.

Speaking on the occasion Mr. Tariq Bajwa, Chairman, FBR felicitated the probationary officers on successful completion of STP. He said "I firmly believe that each individual matters... even one upright officer through his actions and decisions can significantly change the destiny of the country".



Certificates were distributed among the probationary officers on completion of 40th STP and the position holders were duly appreciated and given merit certificates. Mr. Sheraz Mirza,. Director DOT, delivered the vote of thanks

Felicitations!

Two Officers of Inland Revenue Service promoted to BS 22

The close of the calender year brought heartening news for IRS as two officers, Ms. Yasmin Saud and Mr. Shahid Hussain Asad got promoted to BS-22 on 20.12.2013.



Ms. Yasmin Saud, from 7th CTP, on her promotion, was posted as Member (HRM) in FBR against an upgraded post.

Mr. Shahid Hussain Asad, an officer of 8th CTP, continued to work against the post of Member (Inland Revenue) Policy in the FBR which was upgraded on his promotion.



The DG and faculty of DOT(IR) rejoice in the distinction conferred on the two officers and wish them all the best in their future endeavors.

Editorial

The 39th issue of DOT Gazette is in your hands. Covering the period from July, 2013 to March 2014. It highlights the events and multiple activities on all fronts, dotting these four months. We welcomed a new Director, Mr. Sheraz Mirza, who brought with him his own candid and amicable style of management; Probationary officers of 40th STP, a bright and lively lot, completed their training and left DOT; Chairman, FBR was here to grace their passing out Ceremony; the monotony of the series of lectures was broken by a delightful mess night, scripted by the talented officers, who also acted in the skits.

Zain Sahi and Attiya Ali Khan, left DOT, the latter on promotion, while Waqas Ahmad Langah joined as deputy director.

During this period the In-service training wing introduced a series of trainings on FBR Systems, starting with CREST and also arranged the first ever Training on CREST through the Video Conference system, for officers of Peshawar, Quetta, Hyderabad and Sukkar.

More such sessions were planned but elbowed out by the preparations for the April SAARC Conference, which left little room for any other activity. The layout and style of this issue, has again been given new touches, to make it eye-catching.



AMINA HASSAN
Additional Director
(In-service Training/
IT/Research)

39th Issue

DOTGazette

Taxation for Development

An Analysis of South Asian Countries



Dr. Ishrat Husain

Tax revenues are the major source of domestic resources. Reliance on foreign resources should remain marginal and complementary. A tax system should ideally allocate resources efficiently, distribute incomes equitably and stabilize economy when faced with external shocks.

Development requires high sustained rate of growth of real national income per capita over a long period of time, not sporadically and erratically.

This high growth rate should not benefit only a small section of top 1 or 2 percent of the population or the large metropolitan areas of the country only but the benefits of growth should be distributed more broadly and equitably. Income distribution among households, regions, sectors and gender should not be skewed or concentrated. The large majority of the population should gain from rapid economic growth.

Moreover, as globalization is affecting all South Asian countries whether in form of foreign trade, capital flows, and technology transfer or workers remittances we have become more exposed and vulnerable to fluctuations in the economies of other countries. Preventing and Managing external shocks has become a major challenge for the economic managers of developing countries.

If the objectives of development policy are efficient allocation to generate high growth rates, equitable distribution of benefit of growth to a larger segment and stabilization of economy in face of external shocks, then the taxation system is critically involved in each one of the three dimensions.

Rapid Economic growth rate requires incentives for the private economic agents-farmers, firms, self employed, professionals, entrepreneurs, and traders to invest in their respective sectors. Investment can only take place if the return on investment is attractive. A punitive tax rate acts as a disincentive for investment.

Similarly, unpredictable, continuously changing, arbitrary and discretionary rules in administering taxation also keep businesses away from productive activities. A complex tax code full of loopholes that can be exploited by clever tax lawyers for tax avoidance purposes depresses the revenue yield. Statutory Regulatory orders aimed to favour specific activities, sub sectors, firms or individuals not only reduce the volume of tax revenues but also act as a barrier for entry for new efficient, dynamic firms that can displace the old inefficient firms. Growth rate is therefore lowered because the resources are being allocated and utilized in sub optional manner.



The structure of taxes also affects relative prices and incentives which may influence the level of private investment. The tax burden should be distributed in such a way that those earning the same level of income from any sector or activity should be required to pay tax above the threshold level in accordance with their income slabs. In other words, no sector, sub sector or activity should be exempt from tax incidence. The other feature that helps income distribution and ought to be built in the tax system is a degree of progressivity i.e. individuals or households with higher levels of income pay a higher share of their income in taxes than those with lower level of income. The average rate of tax on income should rise as income rises or in which taxes reduce the disposable income of the higher income households by a larger percentage than that of the lower income households.

This proposition implies that **Direct taxes on Income, Property, Assets, and Inheritance should form the main pillar of the structure of taxes. Indirect taxes on goods and services, foreign trade, consumption are regressive in nature and the incidence of these taxes falls disproportionately on the lower income groups.**

The countries with lower income tax collection tend to depend more on trade taxes as easy sources of revenue. The frequency of financial balance of payment crises and external shocks has increased in the recent years because of the growing integration of national economies with the global economy. The stabilization



function of government should guarantee a certain amount of automatic responsiveness of the government budget to the fluctuations in the components of national income and aggregate demand.

Foreign trade taxes rates that used to be quite excessive until 1990s have been lowered to allow liberal trade exchange and to avoid deep swings in tax collection. The shift from vertically integrated production within the territory of a country to a more dispersed regional and global value chain production process will also force a low tariff regime.

Tax on foreign capital flows is also not a preferred instrument because of the mobility of capital and the need to attract foreign investors to augment domestic savings.

Workers' remittances are exempt from taxation as they bring in precious foreign exchange, supplement the incomes of low income households, and help boost consumption and therefore aggregate demand.

Therefore, for purposes of stabilization of economy, the taxation system if dependent on international trade, capital flows and workers' remittances does not offer much scope for policy manipulation.

According to the World Bank, South Asian Countries collect exceptionally low levels of tax revenue but have significant public spending needs to reduce poverty and enhance growth. All countries are consistent under performers in achieving the Millennium Development Goals (MDGs). The average revenue collection in the region ranges from 10 to 15 percent of GDP compared to an average of 20 percent in comparable developing countries.

These ratios are lower even after income levels and economic structures are taken into account. The gap from the average level of similar countries is around 4 percent of GDP for India and 10 percent for Bangladesh. These gaps have remained broadly unchanged over the past 10 to 15 years. The average per capita income of the eight SAARC countries is $ 1300 as compared to $ 4200 in East and South East Asia with almost half of the world's poor living in South Asia. These countries cannot afford to indulge in additional large scale borrowing as they already have high debt ratios.

Less corruption, lower inflation and improved macro-economic stability are all conducive to collecting more revenues in the region.

In SAARC counties, the structure of taxes is very much dominated by indirect taxes such as Sales Tax, Custom duties and Excise. Although essential commodities such as staple food items are exempted but the overall incidence is still regressive. **Direct taxes are also collected mainly as presumptive taxes because of the lack of documentation and ease of collection.** Taxes with



held at source at lower effective rates than the assessed income tax rates are treated as full and final settlement of liabilities thus creating a big wedge between potential and actual tax collection.

Within the region India has made taxation reforms to broaden the tax base, lower rates and reduce their dispersion and make administration simpler and more effective. The main reforms they have introduced are (a) to reduce the share of trade taxes in total revenues (b) to increase the share of direct taxation and (c) to reform indirect taxation by transforming excuse takes to a VAT. Income Tax collection, especially personal Income tax collection is low limiting the overall tax collection. Trade taxes are still relatively high despite the lowered import tariff rates.

Moreover in South Asia yields from existing taxes are very low. Actual revenue collection is below potential and far below averages. Sri Lanka and Bangladesh show the lowest income tax yields, and Pakistan and Bangladesh, the lowest VAT/GST yields. Tax bases are narrow because of the high incidence of tax exemptions and holidays. For example, Sri Lanka's tax holidays scheme has been a major cause of its declining revenue from 20 percent of GDP 15 to 20 years ago to below 15 percent currently.

Second, most countries have outdated tax laws and inadequate institutional arrangements. Organization of tax agencies has shifted away from the type of tax they collect towards the functions they perform but the South Asian Countries have not moved their Tax organizations in that direction.

Third, it is necessary to broaden the tax base by removing or minimizing tax exemptions and concessions which have eroded the tax base over time. in Pakistan, the Statutory Regulatory Orders (SROs) have not only depressed tax yields but also distorted the production and trading patterns.

Fourth, reforms in tax administration, simplification of laws and procedures are badly needed. With simpler structures enforcement is much easier and the scope for corruption and leakage is minimized.

Finally, Tax bases are narrow not only due to exemptions and concessions but also because agriculture and informal service sector in South Asia are large relative to other regions. Efforts to bring these activities within the tax net would certainly yield higher revenues.

To conclude, SAARC Countries have to accelerate their economic growth rates for which they require both public and private investment.

A desirable taxation system should be able to provide incentives to the private sector and households to save and invest a large proportion of their income. Government by collecting taxes in a progressive incidence mode can complement private investment by building infrastructure, provide social services, justice, law and order and security.

The current taxation systems in South Asia are not only under performers but are inefficient, inequitable, regressive and distortive. Taxation reforms to broaden tax base, simplify tax administration and procedures, use technology platforms and minimize tax exemptions and tax holidays would make a significant difference.

DOTGazette
39th Issue

Passing Out Ceremony of 40th STP, in Pictures












Mr. Zeshan Ali - Third position in academics

Khan Shahzeb Bashir - First in Accountancy

Ms. Ifra Tabassum - First position in academics

Ms. Amna Shah - second position in academics

Mr. Umar Butt - First in Income Tax Law

Ms. Farah Yamin - First in Sales Tax Law









39th Issue

DOTGazette

DOT CRICKET TEAM WINS TOURNAMENT





A cricket tournament was held at the Griffin Institute, Mughalpura, Lahore under the auspices of the Federal Revenue Alliance Employees Union (CBA) in which 10 teams of Lahore Region took part. The "DOT Eleven" made its way to the semi final after defeating its opponents. The semi final was held between "DOT Eleven" and "Internal Audit". The "DOT Eleven" won the toss and decided to bat first. The DOT eleven made 64 runs in 5 overs. Mr. Zubair Fakhar and Mr. Afzal Khan performed very well and showed their good batting capabilities. The opponent team of Internal Audit was defeated by 16 runs due to good bowling of Mr. Muhammad Babar, Mr. Hasnain Ali and Mr. Khurram Shehzad. Thus the team qualified for the final. The final match was played between "DOT Eleven" and "RTO-I Lahore". DOT eleven won the toss and decided to bat first and scored 54 runs in 4 overs. Mr. Zubair Fakhar made 24 runs in last over, hitting 3 sixes on last 3 balls. The RTO-I Lahore's team lost the match because of good bowling of Mr. Muhammad Babar resultantly DOT eleven won the tournament by13 runs. Mr. Zubair Fakhar was declared man of the match on the basis of good bowling and batting. At the end of the tournament the shield and cash prizes were distributed to the winner "DOT Eleven".



The Director General, DOT, hosted a lunch to celebrate the glorious and memorable victory. The team officials were, Team Manager: Mr. Muhammad Zaheer, Batting Coach: Mr. Ali Abrar Sherazi and Bowling Coach: Mr. Muhammad Khawar Rafique.





39th Issue

DOTGazette

Aiming for a Paradigm Shift in Training



AMINA HASSAN
Additional Director (In-service Training/ IT/Research)

Performance of professional duties in the field is no longer possible without IT skill, knowledge and support. Recently the trainings being imparted by DOT to officers and staff were reviewed in order to better respond to the growing need for such expertise.

An informal TNA was conducted to precisely determine the kind of training required for the workforce in the field formations, as a result the most crucial fact which came to light was the immediate and dire need for training of middle management officers in FBR IT systems.

These days, IT training is amply taken care of at CSA and DOT during the Common and Specialized trainings, for new entrants, with the result that the officers have fairly good command of general IT skills.

Today, the officers in the field only need to be very well versed in using various FBR IT systems, introduced in collaboration with PRAL over the years.

Without the expertise to use FBR systems efficiently the officers can neither function optimally, nor can they resort to special investigative techniques, cross matching of data, Tax payment verifications, and detection of losses of revenue & tax frauds etc.

This in view, DOT has introduced training courses in FBR systems for Officers in the field which will substantially improve the output and quality of work, translating into more revenue for the government.

Currently more than twelve FBR systems are in use in the tax offices. These have been divided into seven categories by clubbing the systems of like nature in one category. The following seven categories of IT

Category I	CREST
Category II	STARR, STMS
Category III	ITMS with Special emphasis on Trekker & TAXSYS Data-ware House
Category IV	ITMS with Special emphasis on REGSYS
Category V	E- Filing of IT & ST Return
Category VI	CAP / RECAP, E-Payments, Collection
Category VII	TAMS, LMS, AMS
Category VIII	HRMS, SAP, E-Dox

Training in FBR Systems for Officers have been introduced.

As far as Training of Staff is concerned, it was found to be in the fitness of things to give a General Skill Enhancing Training as well as Training in FBR Systems to the Auditors, Inspectors and IROs also, with Scope according to the limited access available.

For the ministerial staff revised Skill Enhancing IT Trainings have been introduced. New course outlines/content has been prepared as per the requirement in the field. Most importantly, the respective tax offices will be asked to identify and nominate appropriate persons for such courses in the light of the course outlines.

The in Service Training Wing of DOT, after reforming the contents of the training modules, is now taking initiatives to bring an entire paradigm shift in the mode of training by introducing long distance training through use of Video conferencing and WEBINAR; resorting to training of FBR Systems through use of Video Tutorials; and by introducing Web based Video Lectures by our best trainers on the most relevant and current topics.

Continued on page 7

"The in Service Training Wing of DOT, after reforming the contents of the training modules, is now taking initiatives to bring an entire paradigm shift in the mode of training by introducing long distance training through use of Video conferencing and WEBINAR; resorting to training of FBR Systems through use of Video Tutorials; and by introducing Web based Video Lectures by our best trainers on the most relevant and current topics.
All this aims at drastically increasing, rather revolutionizing the dissemination of information and diffusion of knowledge, skill and expertise. The first video conferencing Session was a testimony to this, and as I write these words, the micro details for introducing WEBINAR are being discussed, which will be a 'giant leap', not just for DOT Trainings but eventually for FBR"



39th Issue

DOTGazette

Aiming for a Paradigm Shift in Training - Continued from page -8

'It has been further planned that we will go a step further and introduce WEBINAR, These live, interactive sessions, which any officer/s, all over the country, can join through a simple act of registration, will require only on line computers, with web cam. The record of the sessions will be available to benefit even those not attending the session. It is also possible to leave comments on which the experts or other officers can further comment and a thread will be formed, which anyone can visit and benefit from'

All this aims at drastically increasing, rather revolutionizing the dissemination of information and diffusion of knowledge, skill and expertise. The first video conferencing Session was a testimony to this, and as I write these words, the micro details for introducing WEBINAR are being discussed, which will be a 'giant leap', not just for DOT Trainings but eventually for FBR.

Video conferencing equipment was installed in all RTOs all over the country by the World Bank a few years ago. This is an excellent tool to revolutionize the idea of training and to reach even the far flung offices of Inland Revenue, all over the country.

Moreover since the initiative regarding training of FBR Systems is already underway, the speed and reach of this training, which is urgently required, can be enhanced by this mode. It will be possible to reach a larger audience at no cost, no TA/DA and no waste of time at all.

The first video conference training was held on CREST and the Resource persons sitting in DOT conference room Lahore imparted this training through an interactive session, to officers in Hyderabad, Sukkhar, Peshawar and Quetta.

The feedback from the 42 officers sitting in these four cities was excellent and the level of satisfaction they expressed is rare even in traditional lecture room setting.

This will be followed by other regular sessions on issues and topics of importance covering the Inland Revenue officers in the entire length and breadth of the country.

It has been further planned that we will go a step further and introduce WEBINAR, These live, interactive sessions, which any officer/s, all over the country, can join through a simple act of registration, will require only on line computers, with web cam. The record of the sessions will be available to benefit even those not attending the session. It is also possible to leave comments on which the experts or other officers can further comment and a thread will be formed, which anyone can visit and benefit from

Moreover video lectures (including presentations) by our subject specialists, eminent practitioners and teachers will be recorded at DOT Lahore, through the available video camera, which will be edited and placed on the DOT website.

This series of video lectures will cover important aspects of practical issues being faced by field officers in implementing Sales Tax, Income Tax and Federal Excise Laws.

Along with the conventional training, which is slow, costly and has limited reach, training through video tutorials has also been planned to be under taken. Such video tutorials, already being prepared, will cover all FBR Systems and procedures and these will be placed on DOT website which will make them available for each and every officer of IR all over the country at one click.

To make this even more effective, interactive video conferencing sessions will regularly be arranged, covering all RTOs, which will further augment this effort. It will thus make it possible to discuss and resolve any issues and questions related to the training material placed on the web, through an on line link with the specialists and experts.

The diffusion of the information and skill will be instant, at no cost and coverage will be cent percent.

All these measures, it is hoped, will bring a paradigm shift and will revolutionize the very idea of Training and training impact (TI).

'Along with the conventional training, which is slow, costly and has limited reach, training through video tutorials has also been planned to be under taken. Such video tutorials, already being prepared, will cover all FBR Systems and procedures and these will be placed on DOT website which will make them available for each and every officer of IR all over the country at one click'

