





Tax Watch

Quarterly Newsletter

January 2013

In This Issue



FGD with members of Trade Union Attock



IDI with President Trade Union (Nankari bazaar) Rawalpindi



IDI with Tax Consultant Rawalpindi



Pictorial view of the project



Recent developments in the Tax Sector

Message by Executive Coordinator



heNetwork for consumer protection has taken another major step with the generous support of USAID to protect the rights of consumer. As I reflect on TheNetwork for Consumer Protection 20th anniversary, I am reminded of what responsible consumer age is demanding today? Indeed, i acknowledge those

who built the TheNetwork on a rock solid organization based on principle and fact.

Tax is not only the most important, the most beneficial, and the most sustainable source of finance for development but it is also the nexus between state and citizen. Tax revenues are also the life blood of the social contract that helps making a government more accountable. In Pakistan where there is a low tax to GDP ratio, merely 0.3% of the population files their income tax return. In other words, only 1.2 million have filed the income tax returns last year, the number of NTN registered companies filing returns is also not more than 17,000, tax havens have been created for the rich by not taxing agriculture income and by repeatedly offering amnesty schemes etc. Similarly, compared with 3.2 million commercial electricity connections last year only 22,000 retailers paid income tax of Rs. 6.2 billion.

Although Albert Einstein had once said that the hardest thing in the world to understand is income tax. At TheNetwork for Consumer Protection, for our targeted districts, we aim to make clear the complex and striving to improve the situation in terms of knowledge, aptitude and practices of taxpayers. Furthermore, project activities will ultimately contribute to improve the vitality of tax compliance culture in the targeted districts.

Nadeem Iqbal
Executive Coordinator/CEO
TheNetwork for Consumer Protection

Focus Group Discussions Highlights

Focus Group Discussion with

Jhelum Chamber of Commerce & Industry

December 29, 2013: FGD was conducted with the representative of Jhelum Chamber of Commerce & Industry. 11 members of Chamber participated in group discussion. The primary objective of FGD was to understand the concerns of citizen regarding income tax or Taxation System in Pakistan.



FGD with Doctors from Railway Hospital - Rawalpindi

January 10, 2013: Group discussion held with doctors of Railway Hospital Rawalpindi had a great response. Majority of the participants emphasized on tax literacy. They recommended trainings, workshops and awareness campaigns on tax education.

FGD with Journalists Rawalpindi

January 19, 2013: FGD was conducted with journalists. Journalists from different News papers participated in this activity. They emphasized on tax education and highlights trust deficit from taxpayer's perspective.



FGD with RTO Rawalpindi Government Officials

January 17, 2013: FGD was held with government officials of Rawalpindi Regional Tax Office at the office of additional commissioner income tax. They raised concerns on proper check and balance procedures and transparency in utilization of revenue and malpractices in taxation system. Direct reporting approach to the Chairman FBR for complaint or negligence in the concerned system was suggested by the participants.

FGD with Members of Trade Union- Attock

January 2, 2013: A group discussion was carried out with the members of Trade Union, main bazar Attock. Their major concern was the widening trust deficit between taxpayer and the relevant authority.

Focus Group Discussions Highlights

FGD with Journalists Jhelum

January 18, 2013: Group Discussion was carried out with journalists in district Jhelum. They highlighted the tax education is not available.



FGD with representatives of Rawalpindi Chamber of Commerce & Industry



January 5, 2013: FGD was conducted with the representatives of Rawalpindi Chamber of Commerce & Industry. The meeting was held at the office of President Chamber of Commerce & Industry Rawalpindi. Mainly, participants had serious concerns on inactive complaint redress mechanism regarding income tax.

FGD with women faculty- Jhelum

January 8, 2013: FGD was conducted with the women faculty, Govt. Women Degree College, Jhelum. They raised concern that e-filing procedure are much complicated. Their collective response was reluctance in payment of due taxes because of malpractices in tax collection and its utilization.

FGD with members of Trade Union Chakwal

January 7, 2013: Group discussion was held with Trade Union and



members of Chakwal Chamber of Commerce & Industry. A significant number of respondents raised apprehensions regarding the complexity of income tax forms and unavailability of information in our national language i.e. Urdu.

FGD with members of Trade Union Rawalpindi

January 19, 2013: FGD was conducted with members of Trade union. The group discussion was held at the office of president Trade union Rawalpindi. They highlighted trust deficit factor as a major constraint in uniform functionality of the taxation system.

In-depth Interview (IDIs) Highlights

IDI with President Trade Union (Nankari bazaar) Rawalpindi

December 20, 2013: In-depth interview was conducted with Mr Tahir Taj Bhatti, President Trade Union Nankari bazaar. The interview was held at the office of president trade union. The IDIs were conducted with the aim to grab the experience curve of experts to have deep insight of the taxation system.



IDI with President Rawalpindi Chamber of Commerce & Industry- Rawalpindi

December 21, 2013: In-depth Interview was conducted with Mr Manzar Khurshed Sheikh President Rawalpindi Chamber of Commerce & Industry, at his office in Rawalpindi.

IDI with Tax Consultant- Rawalpindi

December 26, 2013: In-depth interview was held with Tax Consultant Mr Farhat lodhi at his office in Islamabad.

In-depth Interview with Journalist- Rawalpindi

January 3, 2013: In-depth Interview was conducted with Mr Kareem Madad Ameen journalist in Associated Press Pakistan. The interview was held at APP office Rawalpindi.

In-depth Interview with Income Tax Judge- Rawalpindi

January 1, 2013: In-depth Interview with Mr Jahandad Khan Income Tax Judge. The interview was held at his office in Rawalpindi.

IDI with District Coordination Officer- Rawalpindi

January 1, 2013: In-depth interview was carried out with District coordination officer Rawalpindi. The interview was held at DCO Office Rawalpindi.

In-depth Interview with District Coordination Officer- Chakwal

January 2, 2013: In-depth interview was conducted with Mr. Ahmad Aziz Tarar District Coordination Officer. The interview was held at his office in Chakwal.

In-depth interview with senior Economist World Bank Islamabad

January 4, 2013: In-depth interview was held with Mr Hanid Mukhtar Senior Economist from World Bank at his office in Islamabad.

In-depth Interview (IDIs) Highlights

In-depth Interview with MNA - Attock.

January 1, 2013: In-depth interview was conducted with Mr Sheikh Aftab (MNA) Attock. The interview was held at his office in Attock.

In-depth Interview with senior Member IR(FBR) - Islamabad.

January 3, 2013: In-depth interview was conducted with Asrar Rauf senior member from Federal Board of Revenue. The interview held at his office in Federal Board of Revenue Islamabad.

In-depth Interview with district Income Tax Officer - Attock

January 2, 2013: In-depth interview was conducted with Mr Haroon Rasheed District Coordination Officer. The interview was held at his office in Attock.

In-depth Interview with MPA - Chakwal

January 1, 2013: In-depth interview was conducted with Mr Ijaz Hussian Politician (MPA). The interview was held at his office in Chakwal.

In-depth Interview with district Income Tax Officer - Chakwal

January 4, 2013: In-depth interview was carried out with Mr. Pir Nasir Maqbool Hashmi district Income Tax Officer. The interview was held at his office in Chakwal.

In-depth Interview with MPA-Jhelum

January 1, 2013: In-depth interview was conducted with Ms. Nighat Mir Politician (MPA). The interview was held at her home in Jhelum.

IDI with Additional Commissioner Regional Tax office (RTO) Rawalpindi

December 27, 2013: In-depth interview was conducted with Mr. Asim Khattak Additional Commissioner Regional Tax office Rawalpindi. The

interview was held at the Additional Commissioner office.

In-depth Interview with District Coordination Officer - Attock

January 1, 2013: In-depth interview was carried out with Mr. Usman Chaudary District Coordination Officer. The interview was held at his office in Attock.

In-depth Interview with District Coordination Officer - Jhelum

March 1, 2013: In-depth interview was carried out with Mr. Mirza Mehmood-ul-Hassan District Coordination Officer. The interview was held at his office in Jehlum.

In-depth Interview with Vice Chancellor

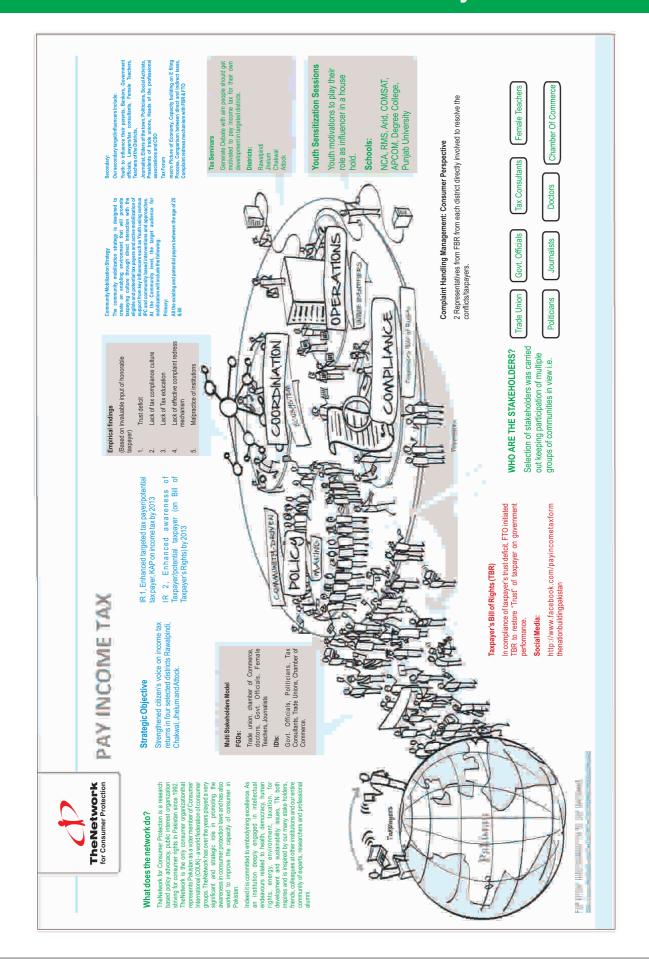
March 1, 2013: In-depth interview was carried out with Mr. Anees Ahmed Vice Chancellor Riphah International University. The interview was held at his office.

IDI with Tax Consultant Rawalpindi

December 20, 2013: In-depth Interview was carried out with Tax consultant Mr Adnan Saeed Tax consultant at his office in Rawalpindi. He shared his experiences regarding income tax.



Pictorial view of the Project



Recent developments in the Tax Sector

The Federal Board of Revenue (FBR) is devising ways to tax internet search engine Google Inc. on the revenue generated through its business in Pakistan. It is still beloved difficult to levy taxes on the Internet search engine as it has no permanent establishment in Pakistan. However, since revenue is being generated through local advertisements, local departments have the right to collect tax under this head. Google Inc is an American multinational corporation, providing Internet-related products and services, including internet search, cloud computing, software and advertising technologies around the world. The FBR chairman has instructed the tax departments to identify the business activities of the company in



Pakistan. Pakistani advertisers spent Rs32 billion on advertisements in the print and electronic media in 2010-11, in which one percent of amount went to Internet advertising. The authorities are finding agents working on behalf of Google Inc in Pakistan to inquire about the permanent establishment of the company and to assign jurisdiction to a tax department.

The Federal Board of Revenue (FBR) recently issued an SRO, whereby, suspendeding Section 153A of the Income Tax Ordinance 2001. No tax will be collected under the said section till June 30, 2013. The government had earlier introduced Section 153A in IT Ordinance 2001 to impose a withholding tax on all distributors, dealers and wholesalers in Finance Act 2012. Every manufacturer was responsible for collecting WHT (levied on gross sales), which led to a nominal tax of 0.5 percent of product price, increasing the prices of finished goods. Fertilizers, cements, pharmaceuticals, autos and fast



moving consumer goods were among the key sectors affected by the aforementioned tax amendment. Resultantly, the manufacturers marginally increased their prices in order to collect the WHT from their respective distributors. The prices for fertilizer were increased by eight to nine rupees per bag and those for cement were raised by two to three rupees per bag. It is unlikely that the sector will pass down the impact. The prior increase in price (followed by imposition of withholding tax) will be fully absorbed into the already peaking levels of manufacturers' retention level. "The sector will realize an annualized positive impact of 1.5 percent to 6.5 percent on its bottom-line.

FBR warns tax evaders of blocking CNICs, putting names on ECL list of around 3.1 million tax-evaders traced in Pakistan and action would be taken against them as per law. The tax-evaders travelled by air and own luxurious vehicles, but they did not pay taxes. If tax-evaders would not clear their dues by paying Rs40,000 within 75 days, stern action would be taken against them. World has been changed with good tax reforms, but the FBR was lagging behind. There was a dire need for changing tax system in Pakistan and checking smuggling for a better economy. Parliamentarians pay taxes on their salaries regularly but there was no information about any taxes they pay for their private businesses. The tax-to-GDP ratio was very



low in Pakistan compared with other countries. Only 0.8 million people pay taxes, out of 18 million people in Pakistan due to the faulty tax system. "The tax collected through a very weak system was insufficient to run the affairs of the country.

The Federal Board of Revenue (FBR) has obtained third-party data regarding 150,000 tax evaders who send their children



to expensive schools and buy new costly vehicles. It was revealed that the data was also obtained from motor vehicle manufacturers and electricity distribution companies among other institutions. At least 6,010 people, who send their children to branches of a private educational institute, built in a specific region, evaded tax while 35,673 evaders bought new cars from three auto manufacturing companies in one region. Most of the people who send their children to expensive schools and buy new costly vehicles did not have National Tax Number (NTN), while many are even hiding their original incomes.





Complaint Resolution



Contact FBR to resolve your complaint!

Register your complaint at District FBR office

If unsatisfied contact directly to FBR headquarter

Still unsatisfied. contact directly to Federal Tax Ombudsman (FTO)

How to proceed a complaint

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For facilitation, please call on our tax helpline

051-111-829-829

The Network for Consumer Protection

FBR District Offices Rawaipindi 051-9271728 | Jhelium 0544-9270307 Chekwai 054-3852082 | Albok 057-270314

Federal Board of Revenue Headquarters

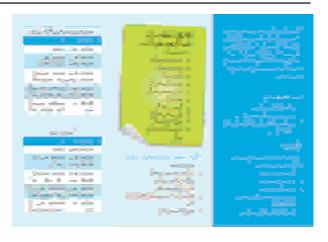
Revenue Division | Consultation Avenue, G-5, Islamatian Cali directly to FBR Helpline, 051-111-227-227 | 051-111-227-228 Fax: 051-0205591 (Toll Fees Number: 0800-00-227 | E-mail Officially: helpline@tbi.gov.pk

E filling Helöline: 051: 111-772:772

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