

## Tax authorities detect 2m income tax evaders

By Sajid Chaudhry

ISLAMABAD: The tax authorities have detected some 2 million individuals who have not filed their tax returns and the government would give them a last chance to file their income tax returns by December 15, Federal Minister for Finance and Revenues, Shaukat Tareen informed here on Wednesday.

Tareen disclosed this while giving details of the revenue generation efforts being carried out by the Federal Board of Revenue at Senate Standing Committee on Finance presided over by Senator Ahmed Ali. Acting chairman FBR, Israr Rauf was also present on the occasion.

Some of the these peoples have National Tax Number and are not filing their income tax return while half of them don't have NTN. The government would ask them to come forward voluntary and pay their due taxes. Tareen informed the meeting that if we were able to increase our revenue collection than there would be no need for Kerry Lugar Bill or IMF loan package. He told the committee that 8.8 percent tax-to-GDP ratio is totally unacceptable and the government is trying to increase this ratio to 10.6 percent this year with an increase of 1.8 percent in the GDP.

He said that GST is under performing area in our tax system as GST collection amounts to 3 percent of the GDP in Pakistan and we are way behind other countries whereas it stands at 7 percent in Sri Lanka and 9.5 percent in Turkey. The government is planning to introduce VAT regime in the country to bridge the growing gap in tax collection.

He informed that revenue collection figures for the month of October are encouraging, as provisional collection has reached Rs 88 billion due to good advance tax payments. He was of the view that if the current trend continues than FBR would be able to bridge the existing gap between collection and target.

State Bank of Pakistan would soon be announcing a new policy under which banks would be required to lend in the respective areas from where they generate deposits. At present banks are generating their deposits from rural areas and make their lending in only three major cities.

Tareen was of the view that revision in Afghan Transit Trade Agreement (ATTA) also includes revision in import tariff scheme and tariff should be brought at par in both the countries so that there is no incentive left for the smugglers. On the under invoicing issue, he said that Pakistan has posted its representatives in five countries to check the under declaration by the importers.

He was critical of the last government's economic policies and said that consumption led and credit induced growth was the major reason behind the current economic problems of the country which resulted in making our exports expensive and imports cheaper. This actually damaged the local industry and manufacturing sector of the country. He also informed the committee that we are trying to develop linkages between Gwadar to China and Gwadar to Central Asian States, and in this regard a corridor is being developed. This would help us investors that are facing increase in cost of doing business in their countries especially Japanese, Chinese, Korean and Vietnam.

He said that if we want our banking sector to perform according to the international standards than the sector would be required to pay higher salaries to their executives. Explaining the higher spreads of the banking sector, Tareen said that despite higher spreads the return on capital investment in banking sector is still less at 11.3 percent as against the other businesses of 16 percent to 18 percent.

He termed five major banks as main culprits and said spreads in these banks ranges between 7 to 10 percent that is why these banks are loosing their market share by 0.5 percent to 1 percent annually. Some ten years back the National Bank of Pakistan was holding 23 percent share of banking sector and now its share have reduced to just 12 percent to 13 percent. Explaining the appointment of Chief Operating Officer in National Bank of Pakistan, Tareen informed that his appointment was mainly for risk management and no other assignment have been given to him.

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