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[**Need for National Tax Academy - I**](https://www.brecorder.com/news/40120737/need-for-national-tax-academyi)

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On March 12, 2020, as per Press release of Ministry of Finance, the National Tax Council [NTC] was established and its terms of reference (ToRs) approved. According to a Press report, “The harmonisation of GST is part of the World Bank’s budgetary support loan of US$750 to US$900 million”. It is mentioned in the report that as “suggested by IMF, the centre and provinces have finally agreed to establish NTC “to resolve all tax-related issues, especially for the harmonisation of general sales tax (GST) across the country”. It confirms that our governments do nothing unless lenders/donors force them to do so and also provide more loans.

It was decided that NTC would have technical level representations from the federation and federating units to resolve tax-related issues without amending the constitution. The NTC has an executive committee, comprising federal finance secretary, Chairman of FBR, provincial finance secretaries and heads of the provincial revenue authorities, namely, Punjab Revenue Authority (PRA), Sindh Revenue Board (SRB), Khyber Pakhtunkhwa Revenue Authority (KPRA) and Balochistan Revenue Authority (BRA). The executive committee of NTC is to forward its suggestions/proposals for approval by the NTC. The NTC recommendations will be finalised in terms of majority to be presented before Monitoring Committee of the National Finance Commission (NFC). The NTC, International Monetary Fund (IMF) and World Bank has yet not considered the idea of establishing National Tax Academy (NTA) in Islamabad as elaborated in Case for All-Pakistan Unified Tax Service: PTI & innovative tax reforms, Business Recorder, August 31, 2018 as under:

As an immediate measure, the Directorate General of Training and Research Inland Revenue (DOT) in Allama Iqbal Town Lahore can be transformed into National Tax Academy (NTA) on the lines of National Police Academy in Islamabad. At a later stage, a state of the art NTA may be established in Islamabad, for achieving the long run strategic objectives of APUTS, where all federal and provincial taxes such as income tax, sales tax, federal excise, customs, taxes administered by cantonment boards, property tax, agricultural tax, land revenue, capital value tax, registration fees, professional tax, infrastructure cess, registration fee and all other miscellaneous taxes could be taught in a strategically conceived national tax framework. Such a framework can be devised, for example, by expanding Kenny and Winer’s above-mentioned research in Pakistan’s context, though it is not the only option. Methodologically, the entire project needs to be treated as a megaproject where the break-fix model approach has the scope to be applied. It is because of multiple legal, administrative and constitutional issues among the federal and provincial governments, states and regions. This model suggests initiating a project, breaking it, identifying the shortcomings, fixing them and continuing.

The path given to NTC is faulty. It confirms that the IMF/World Bank and even our own officers do not have any knowledge as how to move towards harmonisation of taxes and consolidation of fragmented tax administration by establishing NTA. It was explained in Case for All-Pakistan Unified Tax Service: PTI & innovative tax reforms, Business Recorder, August 31, 2018, as under:

“Now that the PTI-led government is in power with a singular vision which may better be termed as “New Pakistan”, it is high time to address the administrative issues of tax collection necessary for optimizing revenue collection as per the country’s potential. In this regard, the formation of All Pakistan Unified Tax Service (APUTS) is the first major step towards harmonising the tax system and integration of taxes in Pakistan.

The proposed APUTS will function similar to All Pakistan Unified Group (APUG) services such as Pakistan Administrative Service (PAS) and Police Service of Pakistan (PSP). The proposed APUTS will initially harmonize three main tax agencies: (1) FBR, (2) provincial tax authorities such as SRB & PRA, and (3) provincial Excise and Taxation departments. At a later stage, after the successful formation of APUTS, all other tax agencies such as Pakistan Customs Service and BOR may also be given an option to join APUTS. A similar option may also be extended to Military Lands and Cantonment Group (ML&CG) who are currently the custodians of tax collection in cantonment areas. It may be highlighted that there is no intention or scope of any kind of inter-occupational service groups’ rivalry here; it is a win-win situation for everyone. The officers will be posted anywhere in Pakistan, both at federal and provincial levels, directly from the FBR Headquarters. An officer of the rank of Joint Secretary from Establishment Division may also be posted in FBR who would keep liaison with FBR over administrative issues of posting and transfers of officers. The officers performing better may be given station of their choice while the corrupt and inefficient may be posted outside the province as punishment. The provinces will continue to enjoy the benefits and powers under the 18th Amendment as is the case of working of the PAS and PSP officers.

It is also important to highlight some administrative misunderstandings that the PTI-led government may face in forming APUTS. The PAS and provincial services may raise objections on the formation of APUTS because they are predominantly dealing with the provincial E&T, BOR and other revenue collection departments. Similar objections may be raised by the cantonment boards. The provincial revenue authorities formed after the 18th Amendment are also functioning under the respective Chief Secretaries and Chairmen who mainly belong to PAS. However, such misunderstandings may easily be overcome by highlighting the fact that the purpose APUTS is to discipline and harmonize tax collection in the country and it is not targeted at grabbing the powers of provincial governments or cantonment boards. Its working will be just like the working of PAS and PSP where the services of federal officers can be placed at the disposal of provincial governments, other departments and institutions. Furthermore, the officers from provincial services may also be posted in the tax agencies of the provinces. In this regard, the Establishment Division may issue an Office Memorandum (O.M) in terms of Civil Servants (Appointment, Promotion and Transfer) Rules, 1973. A similar O. M. was issued by the Establishment Division when the erstwhile Income Tax Group was successfully transformed into IRS back in 2010.

The formation of APUTS will usher in a new era of reformed taxation in Pakistan. It will be a beginning of an end to the British era scattered tax system that was meant to subjugate the masses. It will be a first serious step towards eliminating multiple tax authorities, and integrating taxes thus paving way for one window tax operations in Pakistan. As a strong and accountable service, the APUTS will have the courage to say no to illegal orders and political interference as envisioned by Premier Imran Khan. Through better data coordination among federal and provincial tax authorities, the APUTS will not only be better equipped with information for broadening the tax base but also a step forward towards integrating taxes through national level long term strategic planning”.

(To be continued)

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# [National Tax Academy - II](https://www.brecorder.com/news/40122292/national-tax-academyii)

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In the light of what was discussed in the first part, Case for All-Pakistan Unified Tax Service: PTI & innovative tax reforms, Business Recorder, August 31, 2018, the draft roadmap for harmonisation of fragmented taxes and consolidation of national tax agency and establishing NTA for public debate and for the national and provincial legislators as well as senators is as under:

1. In NTC, the very first step should be establishing All Pakistan Tax Services (APTS) and once consensus is reached all the tax agencies should be merged through amendment in the Federal Board of Revenue Act, 2007 as amended, renaming it as National Revenue Board [NRB] Act, 2021 after consultation and approval from National Economic Council in terms of Article 156(2). The mode and working of NRB can be discussed and finalised under Council of Common Interests [Article 153 of the Constitution] and its control can be placed under National Economic Council [Article 156 of the Constitution].
2. All serving CSS officers of FBR, PRA, KPRA and BRA would become part of APTS working under National Revenue Board [NRB] Act, 2021. They will have their seniority and other terms of condition as before. Those who joined through provincial public service commissions or recruited or transferred/promoted by some other means would only be made part of APTS as done recently by Pakistan Administrative Service (PAS) through a mechanism absorbing the Provincial Civil Services (PCS) and Provincial Management Service (PMS) Officers into the PAS through a competitive examination held by the FPSC for which advertisement has already been given in the newspaper. If PAS can do it, Inland Revenue Service (IRS) and Pakistan Customs Service (PCS) within FBR should also adopt the same mechanism.
3. For collection of harmonised sales tax on goods and services, new law would have to be passed in federal budget 2021, after resolutions by provincial assemblies under Article 144 of the Constitution. In the same manner, right to enact a uniform law for agricultural income tax (AIT) for all provinces and its collection given to NRB. In the Income Tax Rules, 2002, one page for declaration of AIT would be added to the income tax return and all the provisions of Income Tax Ordinance, 2001 relating to assuagement, recovery, appeals etc can apply mutatis mutandis.
4. Collection of AIT would be made by NRB but shares would be transferred to provinces directly. As regards, sales tax on goods and services, the transfer of sales tax on services would be directly to the province to which it belongs and distribution of sales tax on goods would be strictly under NFC Award. Alternately, if and when agreement is reached by all political parties, harmonised sales tax (HST) on goods and services can be given to provinces and agricultural income tax should be with the federal government under Article 142(a) of the Constitution by amending Entry 47 and omitting Entry 49, from Part I of the Fourth Schedule to the Constitution.
5. For each tax payment, there would be a distinct number to ensure transparency in transfer and distribution, as the case may be.
6. At a later stage, after successful merger of FBR, PRA, SRB, KPRA and BAR, those serving in provincial boards of revenue, provincial departments of excise and taxation and Military Lands and Cantonment Group (ML&CG) can also be made part of National Revenue Board [NRB] Act, 2021 and can join NRB. The principle of CSS and non-CSS cadre would remain the same as explained in Sr. No. 2 above.
7. Fresh batches through CSS exams for All Pakistan Tax Service posts instead of IRS. They would get specialised training in NTA and officers of Customs Group would also be part of APUTS.

The above can be further fine-tuned after input from all stakeholders, experts. However, it is imperative that before establishing NRB as an efficient and integrated tax administration, major information technology and human resource improvements in tax collection methods as well as effective audit techniques should be developed along with development-oriented tax policy. Tax reforms are meaningless without an effective tax administration and rational tax policy that can ultimately provide funds for social services to all citizens at grass root level as envisaged under Article 140A of the Constitution. Without wasting further time all the provincial governments must concentrate on devolution of political, administrative, financial responsibility and authority to the elected representatives of the local governments, after training candidates (preferably fresh graduates) with millions near home getting jobs for secretarial support of local governments, achieving the Prime Minister’s target for employment.

At the moment, there is not a single institute, exclusively engaged in fiscal research and teaching taxation. We do not have a chartered institute of taxation—as in the United Kingdom, Australia, Malaysia, Nigeria, Ghana and elsewhere. The business and law schools in universities, institutes, etc, in Pakistan cannot show even one comprehensive research study suggesting a pragmatic, workable tax policy to achieve the above cited goals. Present tax system discourages capital formation and investment and is the real cause of retarded economic growth, burgeoning fiscal deficit and insurmountable debt burden. But our economic managers are unable to fix them. They are not ready to accept that tax is a byproduct of growth. Rapid and sustainable growth can bring more taxes, but they are least concerned. For them tax collection numbers matter, but growth does not!

We need to incentivize corporatization of business. At present, there are only about 98,000 companies registered with SECP (Securities and Exchange Commission of Pakistan) out of which less than fifty percent are active and file tax returns. There are numerous anti-corporate provisions in the tax codes. Companies are maltreated by FBR (Federal Board of Revenue)—after collecting billions as ‘withholding tax agents’ of the state without any compensation; they are penalised for minor lapses that may neither be intentional nor willful.

Devising an efficient tax model for rapid economic growth in Pakistan requires an analytical study of all the irritants prevailing in tax codes, procedures and implementation processes. The main irritant is highhandedness, corruption and unprecedented high level of maladministration in tax apparatuses—both at federal and provincial levels.

We need research and public debate for suggesting solutions to remedy the situation and to promote taxation and business growth attracting domestic and foreign investment and ensuring much-needed jobs. For this we must establish National Tax Academy (NTA) where academicians, tax officials, practitioners, businessmen, and all other stakeholders contribute for devising holistic tax reforms aimed at incentivizing rapid growth. It can also provide a platform for earning degrees/diplomas by young Pakistanis, who want to adopt tax practice as career as well as training the officers of APUTS.

(Concluded)

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