

DETERMINANTS OF LOW TAX COLLECTION: A CASE OF PAKISTAN



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Fall-2020

FINAL PROJECT/THESIS APPROVAL SHEET

Viva-Voce Examination

Viva Date / /

Topic of Research:

DETERMINANTS OF LOW TAX COLLECTION: A CASE OF PAKISTAN

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CERTIFICATE

This is to certify that the project report, titled as "DETERMINANTS OF LOW TAX COLLECTION – A CASE OF PAKISTAN" by Muhammad Junaid (01-111171-064), & Faisal Usman (01-111171-198), submitted in the partial fulfillment of the requirements for the degree of Bachelors of Business Administration from Bahria University, Islamabad Pakistan, during the academic year of 2020, is a bonafied record of work carried out under my permission and guidance.


(NASIR KHAN ABBASI)
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Acknowledgement

The completion of this project could not have been possible without the participation and assistance of so many people whose names may not all be mentioned. Their contribution is sincerely appreciated and gratefully acknowledged.

We would like to express our deepest gratitude to our supervisor Senior Professor Mr. Abdullah Hafeez for his unwavering support, collegiality and mentorship throughout the project. To our parents, friends and others who in one way or another shared their support, either morally, financially and physically, Thank you.

Above all, to the Great Almighty ALLAH, the author of knowledge and wisdom, for his countless blessings.

We thank you!

Abstract

Every citizen who have enough resources, which qualifies him/her to pay tax, is legally bound to pay taxes to the government. These taxes enables the government to provide the facilities of health, education, defense, justice and infrastructure to the citizens. But some of the countries are unable to collect enough taxes so bear budget deficit every year. This study focuses on determinants of the low tax collection in Pakistan over the time period of 2000-2020. The design of the research is descriptive in which tax collection as percentage of GDP is observed in different tenures of government in Pakistan from 2000-2020. Tax collection as percentage of GDP in other Asian countries (Bangladesh, Sirilanka, Maldives and Iran) is also observed and compared with ratio of Pakistan. The results are analyzed on the bases of the policies of the countries. The determinants of low tax collection are explained in brief on the bases of the above results and through the detailed study of different researches. The results showed that there are number of reasons which contributes towards low tax collection i.e. informal economy, tax evasion through non-registration, Benami accounts/ properties, Hwala/ Hundi and tax avoidance using the loopholes in the tax laws. Literature also showed that the root cause of all these determinants is vested interest of authorities, bribe and somehow the complex system of tax itself. Ensuring the law enforcement, transparency in the tax system and making the tax system easier can help to increase the tax revenue in Pakistan.

Table of Contents

1	INTRODUCTION.....	8
1.1	TAX.....	8
1.2	Classification of Taxes.....	8
1.2.1	Direct Tax.....	8
1.2.2	Indirect Tax.....	9
1.3	Objectives.....	10
1.3.1	Economic Development:.....	11
1.3.2	Full Employment:.....	11
1.3.3	Price Stability:.....	11
1.3.4	Control of Cyclical Fluctuations:.....	12
1.3.5	Reduction of BOP Difficulties:.....	12
1.3.6	Non-Revenue Objective:.....	12
2	PROBLEM DEFINITION AND REQUIREMENT ANALYSIS.....	12
3	DESIGN AND IMPLEMENTATION.....	12
3.1	TAX COLLECTION IN PAKISTAN (2001-2020).....	12
3.1.1	Direct tax (Income Tax).....	13
3.1.2	Indirect tax (Sales Tax).....	13
3.2	Tax Collection 2000-2007.....	14
3.2.1	Reforms in the era of 2000-2007.....	15
3.3	Tax collection (2009-2013).....	16
3.3.1	Reforms in the era of 2009-2013.....	19
3.4	Tax Collection (2013-2017).....	20
3.4.1	Reforms in era of (2013-2017).....	21
3.5	Tax Collection (2018-2020).....	23
3.5.1	Reforms in the era of 2018-2020.....	24
3.6	DETERMINANTS OF TAX COLLECTION: OTHER COUNTRIES.....	24
3.7	SRI LANKA.....	24
3.7.1	Tax Structure of Sirilanka.....	26
3.7.2	Impact of tax structure on economy.....	27
3.7.3	Reasons for Low or High Tax Collection.....	28
3.8	MALDIVES.....	28

DETERMINANTS OF LOW TAX COLLECTION: A CASE OF PAKISTAN

3.8.1	Tax Structure of Maldives	29
3.8.2	Impact of Tax Structure on Economy.....	30
3.8.3	Reasons for Low or High Tax Collection.....	30
3.9	BANGLADESH	31
3.9.1	Tax Structure of Bangladesh	32
3.9.2	Impact of Tax Structure on Economy.....	34
3.9.3	Reasons for Low or High Tax Collection.....	35
3.10	IRAN	35
3.10.1	Tax Structure of Iran	36
3.10.2	Impact of Tax Structure on Economy.....	38
3.10.3	Reasons for Low Tax Collection	39
4	TESTING AND DEPLOYMENT	39
4.1	COMPARISON OF PAKISTAN WITH OTHER ASIAN COUNTRIES.....	39
4.2	DETERMINANTS OF LOW TAX COLLECTION.....	40
4.2.1	INFORMAL ECONOMY.....	40
4.2.2	Legal Informal Economy.....	41
4.2.3	Illegal Informal Economy	42
4.3	TAX AVOIDANCE.....	44
4.4	TAX EVASION.....	45
4.4.1	Sales Tax Frauds	46
4.4.2	Fake Goods Declarations.....	47
4.4.3	Identity Frauds or Theft	47
4.5	CONCLUSION.....	48
5	FUTURE ENHANCEMENT AND ACTION PLAN.....	49
5.1	RECOMMENDATION	49
5.1.1	DETERRENT PUNISHMENT OF TAX THIEVES	49
5.1.2	BAN ON AMNESTY SCHEMES	49
5.1.3	DISCOURAGE CASH PAYMENTS	50
6	REFERENCES:	52

Table of Figures

Figure 1: Economic Survey of Pakistan..... 15
Figure 2: Economic Survey of Pakistan..... 18
Figure 3: Economic Survey of Pakistan..... 21
Figure 4: Economic Survey of Pakistan..... 23
Figure 5: CEIC 1990-2019..... 26
Figure 6: IMF September 3, 2019..... 29
Figure 7: The World Bank 32
Figure 8: CEIC 1996-2017..... 36
Figure 9: HIES 2015-2016..... 42
Figure 10: UK Essays September 7, 2017 43
Figure 11: Google Image 44