



## Citizens' Voice Project

# Citizens' Voice and Public Accountability in Tax Collection Sector

## Monthly Progress Report May 2013

**Grantee: Governance Institutes Network International**

**Disclaimer:**

Citizens' Voice Project is being implemented with support from the American People through the U.S. Agency for International Development (USAID). The contents of this report are the responsibility of Governance Institutes Network International (GINI), and do not necessarily reflect the views of USAID or the U.S. Government.

## LIST OF ACRONYMS

APP	–	All Pakistan Press and Publication
CBOs	–	Community Based Organizations
CVPA	–	Citizens' Voice Project
FCCI	–	Faisalabad Chamber of Commerce and Industries
FGDs	–	Focused Group Discussions
FOs	–	Farmers' Organizations
GINI	–	Governance Institutes Network International
IEC	–	Information Education and Communication
HR	–	Human Resource
KII	–	Key Informant Interview
KPIs	–	Key Performance Indicators
MIS	–	Management Information System
MPAs	–	Member of Provincial Assembly
PMEP	–	Performance Monitoring and Evaluation Plan
RBM	–	Result Based Management
RM	–	Research Manager
RTO	–	Regional Tax Office
TDEA	–	Trust for Democratic Education and Accountability
TL	–	Team Leader
TOR	–	Terms of Reference

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## A. Project Summary:

<b>Reporting</b>	
<b>Name of the Sub-Grantee Organization:</b>	<b>Governance Institutes Network International</b>
<b>Project duration:</b>	<b>From <u>Nov 19, 2012</u> To <u>Nov 18, 2013</u></b>
<b>Title of the project:</b>	<b>“Citizens’ Voice and Public Accountability in Tax Collection Sector” Central Punjab</b>
<b>Project Location:</b>	<b>Country: Pakistan</b> <b>Province: Punjab</b> <b>District (s): Sargodha, Faisalabad, Gujranwala</b>
<b>Project Objectives (overall and per sector):</b>	<ul style="list-style-type: none"> <li>a. Strengthened Citizen Voice through Oversight of public bodies allowing policy reforms</li> <li>b. Government-civil society linkages to enhance accountability</li> </ul>

## **B. Project Achievements in the Reporting Period:**

In order to achieve the project objectives;

1. Engaging sales tax paying enterprises in working for the simplification of the administrative burden of complying with the sales tax law.
2. Establishing forums where citizens and civil society can participate in and contribute to the policy making, legislative and monitoring processes, and engage with political parties /elected representatives, parliamentary committees, anti-corruption departments, and relevant public bodies.
3. Oversight of relevant institutions to identify strengths, weaknesses and challenges to inform public discourse and provide appropriate feedback into policymaking, administration and monitoring at the Federal level.
4. Promotion of informed public dialogue around the policies and administration of Federal Sales Tax.
5. Campaigns and media reporting for the recognition and implementation of universally accepted tax-payers' rights and effective grievance redress where those rights are violated by Federal authorities

GINI carried out the following activities contributing to the cause of the project, in the month of May, 2013;

- 1. Electronic dissemination of Taxation Watch Report**
- 2. Meetings with Members and Secretaries of FBR/President of Islamabad Chamber of Commerce and Industries/President Islamabad Women Chamber of Commerce and industries**
- 3. Coordination with Tax Watch Expert Panel**
- 4. Federal Policy Roundtable Dialogue**
- 5. Electronic and Print Campaign**
- 6. Correspondence with stakeholders**
- 7. Project projection on webpage and social media**

## ***Activity Wise Description***

### **1. Electronic dissemination of Taxation Watch Report**

Electronic mass mailing was made for the dissemination of taxation watch report to the prospects of the intervention.

The Taxation Watch Report deciphers the major trends and milestones in Tax Collection sector in general and Sales Tax in particular. GINI has established a network of stakeholders bridging the rights holders and duty bearers in Sales Tax sector. The registered sales tax paying enterprises of district Faisalabad, Gujranwala, and Sargodha espousing with Tax Bar Associations, Non-Governmental Organizations and other forums working on Taxation from the Demand-side group where as Government entities, Inland Revenue offices, RTOs and FBR form the Supply-side group. GINI keeps follows the policies, rules and procedures in the sector and convenes debates and opinion poll using social media among the panelists who are the Presidents/Secretaries of Chamber of Commerce and Industries, Commissioners/Deputy Commissioners of Revenue Departments, Members of Tax Bar Associations, Researchers, think Tanks, from the respective districts and Federal level. GINI tabulated the Taxation Perceptions Index (TPI) which is sourced from a quarterly online survey, as well as a quarterly review of Federal Sales Tax policy and administration by a panel of analysts, constituted from among the stakeholders mentioned above. The scores for this Index are based on indicators of equity and fairness of tax policy and the effectiveness and efficiency of tax administration.

### **2. Meetings with Members and Secretaries of FBR/President of Islamabad Chamber of Commerce and Industries/President Islamabad Women Chamber of Commerce and industries**

Coordination and partnership meetings were held with the President ICCI Mr. Bakhtawari and President IWCCI Ms. Farida Rashid, Commissioners Regional Tax Offices, Tax Researchers, Member FBR Ms. Raana Seerat, Secretary FBR Ms. Aisha Noor, and Complaint Cells established for redress of grievance of Tax Paying Enterprises.

### **Supply-side:**

1. Federal Board of Revenue (main office and RTOs in target districts)
2. Accountability institutions including the Federal Tax Ombudsman, Auditor General of Pakistan, National Accountability Bureau, and Federal Investigation Agency.
3. Parliamentary Committees including the Public Accounts Committee and Finance, Revenue & Planning and Development Committee of the National Assembly and the Finance Committee of the Senate
4. Chambers of Commerce and Industry at the local (target districts), provincial and national levels
5. Government Bodies working on Taxation
6. Members of Political Parties
7. Members of National and Provincial Assembly
8. Members of Local Administration
9. Donor Agencies

### **Demand-Side:**

1. Sales tax paying enterprises
2. Tax Bar Associations at the local (target districts), provincial and national levels
3. Universities and research institutes
4. Member of Small Business Associations
5. Member of Local Civil Society/Community Based Organization
6. Member of Print and Broadcast
7. Non-Governmental Organizations
8. Member of Taxpayers Associations and Think Tank

### **3. Coordination with Tax Watch Expert Panel**

An interactive and productive correspondence kept the Following are the members of the Taxation Watch report Panel involved on policy watch;

1. Mr. Ejaz Asad Rasul, Commissioner Inland Revenue Gujranwala
2. Mr. Zafar Iqbal Sandhu, Deputy Commissioners Inland Revenue Gujranwala
3. Mr. Ahmad Raza, Secretary Chamber of Commerce and Industries Gujranwala
4. Ms. Reena Mumtaz Sarwar , Members Tax Bar Association Gujranwala
5. Mr. Zahid Aslam, President Chamber of Commerce and Industries Faisalabad
6. Mr. Abdul Qayyum Ch., Member Tax Bar Association Faisalabad
7. Mr. Zulqurnain Gondal, Deputy Commissioner Inland Revenue Sargodha
8. Mr. Hassan Rao, Member Tax bar Association Sargodha

9. Ms. Mussarat, Member Tax Audit, FBR
10. Ms. Raana Seerat, Member HRM, FBR
11. Ms. Aisha Farooq, Secretary HRD, FBR
12. Mr. Majid Qureshi, Chief Tax, FBR
13. Mr. Mansoor Sadiq, Second Secretary (Legal), FBR
14. Agha Mujeeb-u-Rehman, President, Rawalpindi Islamabad Tax Bar Association (RITBA)
15. Mr. Zahid Shafiq, Secretary, Rawalpindi Islamabad Tax Bar Association (RITBA)
16. Mohammad Ahmad Tariq, Member, Rawalpindi Islamabad Tax Bar Association (RITBA)
17. Mr. Mehmood Khalid, Research Economist, Pakistan Institute Development Economics, Islamabad
18. Dr. Attiya Yasmin Javid, Professor of Economics / Section Head, Private Sector Development, Pakistan Institute Development Economics, Islamabad
19. Dr. Azra Tasneem, International Trainer on Taxation

#### **4. Federal Policy Roundtable Dialogue**

Governance Institutes Network International (GINI) a Non-Governmental, Not-for-Profit Organization conducted the Federal Policy Roundtable Dialogue here in Islamabad on 13th of June, 2013.

The principle objective of the Dialogue was to present and discuss the findings of the Baseline Survey, Taxation Watch Report, Evolve the Bill of Taxpayers' Rights, and to agree on required reforms for tax policy and administration.

While talking to the media the **Mr. Daniyal Aziz**-Member National Assembly and policy analyst said; Pakistan's revenue collection is historically poor and currently worsening. The tax to GDP ratio remains below 10%. He further added that the; Poor revenue collection stems from long ignored structural problems in tax policy and administration. Tax policy is skewed on a number of dimensions, which undermine revenue generation, efficiency and equity. Firstly, the tax base is exceptionally narrow, drawing only 3.9% of the employed work force into the tax net. Secondly, unnecessary loopholes, contradictions and complications in the law incentivize evasion and avoidance, and penalize compliance. Income from capital gains goes largely untaxed while wage-earners bear a far greater burden. Generous exemptions, preferential rates and tax credits limit the reach of the income tax net. This weakens the redistributive function of fiscal policy. Thirdly, the industrial sector's tax share is 3 times its contribution to the GDP, while agriculture contributes over 1/5th of the GDP but provides only 1% of FBR revenue. Services account for over half of the GDP but revenue from this sector is only a quarter of total receipts. This causes sub-optimal

investment and hampers growth. Fourthly, indirect taxation still constitutes 60% of overall revenues. This low hanging fruit eases collection effort but raises the cost of living for those in the vulnerable socio-economic strata, because it taxes usage of commodities rather than targeting wealth or income.

He concluded that; The involvement of citizens and civil society is essential for tax reform along with provision of services and social benefits to the Tax payers for sustained Tax revenue and Tax net expansion.

The event was attended by the Chief of Party CVP **Mr. Mukhtar Ali** political parties' representatives, government officials, international donors, officials of Federal Board of Revenue, officials of Regional Tax Offices, anti-corruption departments, relevant public bodies, tax analysts and researchers, NGOs, media personnel, President of Islamabad Chamber of Commerce and Industries , President of Islamabad Women Chamber of Commerce and Industries and most importantly the small enterprise owners paying sales tax.



## 5. Electronic and Print Campaign

Subsequent to signing MOUs with Three cable network operators i.e. one in each district an awareness campaign was run for the rights and roles of Taxpaying enterprises. Similarly arrangements were made for regular Press Conferences to have the Press appearances. Coordination meetings were held with two FM stations and MOUs were signed.

Daily Times  
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Monday, June 17, 2013

# 'Public involvement imperative for tax reforms'

■ PML-N MNA says agriculture contributes over 1/5th to GDP but only one percent to revenue

**ISLAMABAD:** The involvement of citizens and civil society is essential for tax reforms along with provision of services and social benefits to the taxpayers for sustained tax revenue and tax net expansion.

This was stated by National Assembly member and policy analyst Daniyal Aziz after attending the federal policy roundtable dialogue of the project 'Citizens' Voice' and public accountability in tax-collection sector.

The event was organised by Governance Institutes Network International with the support of the United States Agency for International Development (USAID) under its Citizens' Voice Project. The project is implemented in three districts of central Punjab i.e. Sargodha, Faisalabad and Gujranwala with policy coordination at the federal level.

Daniyal Aziz said that Pakistan's revenue collection is historically poor and currently worsening.

The project aims to enhance the awareness and knowledge among the taxpayers of their rights, improve taxpayer-friendliness of Regional Tax Offices (RTOs) and ensure involvement of civil society and taxpayers in tax policy.

The principle objective of the dialogue was to present and discuss the findings of the baseline survey, taxation watch report, evolve the bill of taxpayers' rights and to agree on required reforms for tax policy and administration.

Daniyal Aziz observed that the tax to GDP ratio remains below 10 percent. He further added that the poor revenue collection stems from long ignored structural problems in tax policy and administration.

"The tax policy is skewed on a number of dimensions, which undermine revenue generation, efficiency and equity," he remarked. He said the tax-base is exceptionally narrow, drawing only 3.9 percent of the employed work force into the tax net.

Aziz also said the income from capital gains goes largely untaxed while wage-earners bear a far greater burden. The generous exemptions, preferential rates and tax credits limit the reach of the income tax net. On the occasion, he said that the industrial sector's tax share is three times of its contribution to the GDP, while agriculture contributes over 1/5th of the GDP but provides only one percent of the FBR revenue. The services sector, he said account for over half of the GDP but the revenue from this sector is only a quarter of total receipts.

This causes sub-optimal investment and hampers growth. "Indirect taxation still constitutes 60 percent of overall revenues," he remarked.

He recommended that the involvement of citizens and civil society is essential for tax reform along with provision of services and social benefits to the taxpayers for sustained tax revenue and tax net expansion.

The event was attended by political parties' representatives, government officials, international donors, officials of the Federal Board of Revenue, Regional Tax Office's officials, anti-corruption departments personal, tax analysts and researchers, NGOs, media personnel, Islamabad Chamber of Commerce and Industries president, Islamabad Women Chamber of Commerce and Industries president and most importantly the small enterprise owners paying sales tax. APP

## **6. Correspondence with stakeholders**

In order to keep the stakeholders on board letters and emails were sent to duty bearers in addition to this telephonic contacts were made with the stakeholders.

## **7. Project projection on webpage and social media**

A project dedicated interactive web portal is maintained to project the cause, the web page has, project disclaimer, project brief and introduction, project proposal, gen-chart, monthly report, taxation watch report, field activities, media release etc. Social blogs are maintained and face book account is dedicated to the project.

## C. Progress Tracking Sheet

Project Activities	Total Targets	Targets		Achievements		Variance		% Achievements against the targets of current month G=C/A	% Achievements Against total targets H=D/B	Reasons of Variance	Gender wise Participation		
		Current month	As of this month	Current month	As of this month	Current month	As of this month				Men	Women	Total
		A	B	C	D	E = A-C	F = B-D						
Electronic dissemination Tax Report	300	75	75	75	75	0	0	1	1		45	30	75
Meetings with Supply Side and Demand Side Stakeholders	45	10	10	10	10	0	0	1	1		25	20	45
Coordination with Tax Watch Expert Panel	19	19	19	19	19	0	0	1	1		12	7	19
Conducted Federal Policy Roundtable	4	1	1	1	1	0	0	1	1		50	30	80
Electronic and Print Campaign	200	20	20	20	20	0	0	1	1		NA	NA	NA
Project webpage and social media projection	1	1	1	1	1	0	0	1	1		NA	NA	NA
Correspondence	50	10	10	10	10	0	0	1	1		TBD	TBD	TBD
Press Conference	30	3	3	3	3	0	0	1	1		NA	NA	NA

## **D. Major issues during project implementation and suggestions to overcome these issues/or how the issues were solved:**

No major issues during the last month.

## **E. Monitoring & Evaluation:**

GINI will continue following the PMEP to ensure the relevance of the deliverables against the project objectives as per the indicators from the sources derived from the matrix. GINI will ensure Relevance, Effectiveness, Efficiency, Impact and Sustainability in the domain of Evaluation.

## **F. Major activities planned for the next month:**

During the next reporting period, GINI will:

- Hold District Mobilization Workshops
- Continue Awareness Campaign
- Prepare IEC material
- Conduct 2nd Federal Policy Roundtable
- Conduct District Awareness Seminars