



Citizens' Voice Project

Citizens' Voice and Public Accountability in Tax Collection Sector

Monthly Progress Report September 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:

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

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 September, 2013;

- 1. Dissemination of Taxation Perception Indices**
- 2. Meetings with President of Islamabad Chamber of Commerce and Industries/President Islamabad Women Chamber of Commerce and industries**
- 3. Federal Policy Roundtable Dialogue**
- 4. Coordination with Inland Revenue Offices in Districts**
- 5. Electronic and Print Media Campaign**
- 6. Correspondence with Stakeholders**
- 7. Project Projection on Webpage and Social Media**

Activity Wise Description

1. Dissemination of Taxation Perception Indices

TPIs reflecting the latest trends in the Taxation Perception were mailed electronically to the stakeholders, 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 President of Islamabad Chamber of Commerce and Industries/President Islamabad Women Chamber of Commerce and industries

Coordination and partnership meetings were held in the month of August as well with the President ICCI and President IWCCI, Commissioners Regional Tax Offices, Tax Researchers, Member FBR, Secretary FBR.

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. Federal Policy Roundtable Dialogue

Governance Institutes Network International (GINI) conducted the second Federal Policy Roundtable Dialogue on September 19, 2013, here in Islamabad.

The project aims to enhance awareness and knowledge among taxpayers of their rights; improve taxpayer-friendliness of RTOs and ensure involvement of civil society and tax payers in Tax Policy. The principle objective of the Dialogue is 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 Seminar, the Mr. Amjad Pervaiz, Country Manager, GINI as a researcher’s and practioner’s point of view said that Pakistan’s revenue collection is historically poor and currently worsening. The tax to GDP ratio remains below 10%. Poor revenue collection stems from long ignored structural problems in tax policy and administration. He further added that the Tax policy is skewed on a number of dimensions, which undermines 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. He opined that 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.

The representing the Islamabad Chambers of Commerce and Industries, Mr. Naeem Siddiqui, said 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. Government should reduce non-development expenditure, reduce size of the budget deficit, stop foreign exchange drain by bridging the rupee and dollar gap, increase direct taxation, reduce the GST to five percent and privatize State-owned enterprises in order to ensure sustained economic recovery. Some 118,000 entities are enrolled in the Sales Tax System but only 15,000 actually pay any tax, with 82% of total sales and federal excise revenue coming from only 100 big companies.



Dr. Younus Jaffery, from Iqra University/well-known former civil servant, during the question-answer session commented that productivity growth has fallen sharply over the past two decades, undermining the country's growth potential. Pakistan is placed in low ranks in terms of business climate, governance, human development and poverty, which also impairs economic performance. Lower number of taxpaying enterprises reflect the long-standing failure of the FBR/CBR to efficiently administration the system and the inability of previous reform efforts to deliver sustained growth. Tax administration need to be strengthened through federal and provincial policies and technical assistance of the World Bank, as they have done in the past without taking knowledge from civil society groups like GINI and USAID has taken the initiative to streamline the voice of common citizens.

The event was attended by representatives of political parties, government officials of FBR, and Regional Tax Offices, relevant public bodies, tax analysts and researchers from academia/universities in Islamabad, CSOs/NGOs, print & electronic media journalists, Chairman of Sales Tax Sub-committee of ICCI, and most importantly the small trading agents and local entrepreneurs registered in sales tax from Rawalpindi and Islamabad.

Time (PM)	PROGRAM AGENDA
02:45 – 03:00	Registration of the Participants
03:00 – 03:05	Recitation from the Holy Quran
03:05 – 03:15	Significance & Welcome Note: <i>Mr. Amjad Pervaiz, Country Manager (PDR), (GINI), Islamabad</i>
03:15 – 03:25	Remarks by Guest Speaker: <i>Member, Federal Board of Revenue, Islamabad)</i>
03:25 – 03:35	Remarks by representative of Sales tax paying enterprises, <i>Rawalpindi/Islamabad</i>
03:35 – 03:45	Remarks by representative ICCI, Islamabad
03:45 – 03:55	Remarks by Chief Guest: <i>Member Parliament</i>
03:55 – 04:05	Taxation Reforms and Policy Implications: <i>Mr. Sajjad Qureshi, Manager Advocacy, GINI, Islamabad</i>
04:05 – 04:40	Roundtable Dialogue: <ul style="list-style-type: none"> • <i>Strengthening tax collection system especially collection of sales tax in a fair, non-discriminatory and professional manner</i> • <i>Policy reforms for the reduction of indirect taxation, which effects poor the most</i>
04:40 – 04:50	Concluding Remarks and Note of Thanks by <i>Mr. Muhammad Nasim Khan Raja, Company Secretary, GINI, Islamabad</i>
04:50 – 05:00	Tea & Refreshments



4. Coordination with Inland Revenue Offices in Districts

In the month of August, 2013, the representatives of GINI had a new series of meetings with the officials of Inland Revenue Offices in district Sargodha, Faisalabad, and Gujranwala. The primary purpose of the discussion was to evolve the consensus on the points of Bill of Demand at the draft stage and take the Duty Bearers on board on the matter.

Summary of the conclusions/recommendations are reproduced below:

- Create a healthy relationship amongst the three stakeholders in the taxation system viz: GOP, CBR and taxpayers. As confidence building measures and to address tax payers concerns, Government must demonstrate genuine austerity at the top levels, arrange public disclosure of tax returns of ruling elite, earmark some percentage of incremental revenues for specific social sectors, and create a demonstrable linkage between revenue generation and development expenditures of an area.
- Improve FBR's credibility with taxpayers through improved organization design and human resource management along with re-engineering of income tax, sales tax and customs processes.
- Create taxpayer assistance units as a point of contact between the department and the taxpayers. Its functions should include: receipt of registration, de-registration and refund applications, issuance of registration certificates, notices and orders of the Sales Tax Act and any other acknowledgement for the tax payers, administer the voluntary disclosure process, provide tax payer education and training, and register tax payer complaints.
- Tax payers maintaining regular books of account for their business or profession be eligible for self assessment scheme. In order to enable taxpayers to discharge their liabilities with convenience, authorized branches of all nationalized banks may be allowed to collect government dues.
- An effective revenue organization must be comprised of trained and dedicated persons with integrity, transparent processes, a comprehensive information system, and taxpayer education. The Reforms to improve our taxation system need to be focused on human resources, business process and organization, corruption and information management.
- 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.



5. Electronic and Print Campaign

Electronic Media campaign on 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.

Messages to be gone on-air and telecast through the respective scheduled program were developed by GINI Team and handed over the partners of Cable TV Networks and FM Radio Stations in the selected districts.



ٹیکس محاصل میں احتساب اور شہریوں کی آواز کا پراجیکٹ

گورنمنٹ انسٹیٹیوٹس نیٹ ورک انٹرنیشنل (جینی) جو کہ اسلام آباد میں واقع ایک غیر سرکاری اور ریسرچ کا ادارہ ہے، نے ریاستہائے متحدہ امریکہ کے ادارہ برائے بین الاقوامی ترقی (یو ایس ایڈ) کے سٹیزن وائس پراجیکٹ کے مالی تعاون سے سیزر ٹیکس کلیمیشن اور ایڈمنسٹریشن میں بہتری لانے کے لئے پراجیکٹ شروع کیا ہے۔ اس منصوبے میں چھوٹے کاروباری افراد کے سیزر ٹیکس سے متعلقہ حقوق کا تحفظ ممکن بنانا اور ٹیکس دہندگان کو ان کے حقوق کی آگاہی فراہم کرنا شامل ہے۔ اس کے ساتھ ریجنل ٹیکس دفاتر کے ٹیکس جمع کرنے والے افسران و اہلکاروں اور ٹیکس دہندگان کے درمیان دوستانہ روابط کو بڑھانے اور سیزر ٹیکس پالیسی میں سول سوسائٹی اور عام شہریوں کی آواز اور ان کے حقوق کی بہتری کا عنصر بھی شامل ہے۔



سیزر ٹیکس پالیسیوں میں بڑی بڑی تبدیلیاں کئے جانے سے اس اہم معاملے میں عوامی دلچسپی کا بڑھایا جانا نہایت ضروری ہے



سیلز ٹیکس کے نظام میں بہت سی خامیاں ہیں، جن کے بارے میں عوامی رائے قائم کی جا رہی ہے۔

سول سوسائٹی اور تاجر تنظیموں کے ساتھ بات چیت اور بنیادی سروے کے نتائج، ٹیکس واپس پورس، ٹیکس دہندگان کے حقوق کے تحفظ کے لئے ایک بل آف رائٹس تیار کرنا اور ٹیکس پالیسی اور بہتر انتظامیہ کے لئے درکار اصلاحات پر متفقہ رائے قائم کرنے کے لئے اس طرح کے پروگراموں کی اہمیت بڑھ گئی ہے۔ حکومت کو، عوامی سطح پر ان قوانین اور قواعد میں تبدیلیوں سے روشناس کرانے کے ساتھ ساتھ ٹیکس جمع کرنے والے اہلکاروں کو ٹیکس دینے والے افراد کے سامنے جوابدہ بنانے کے لئے بھی اقدامات کرنے چاہئیں۔ سول سوسائٹی گروپس، ٹیکس پالیسی کی تجاویز اور سفارشات کو زیادہ موثر بنانے کے لئے بہترین کردار ادا کر سکتے ہیں۔



اپنے سبز ٹیکس کے مسائل کے بارے میں رابطہ کیجئے:

جناب سجاد قریشی، ایڈووکیٹ نیچر، موبائل: 0331-5240878
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گورننس انسٹیٹیوٹس نیٹ ورک انٹرنیشنل

اس پراجیکٹ میں ریاستہائے متحدہ امریکہ کے ادارہ برائے بین الاقوامی ترقی نے امریکی عوام کے تعاون سے سٹیزنز وائس پراجیکٹ کے تحت جی کو گرانٹ فراہم کی ہے اس اشتہار کے مندرجات صرف گورننس انسٹیٹیوٹس نیٹ ورک انٹرنیشنل کے پراجیکٹ سے متعلقہ ہیں اور یو ایس ایڈ یا امریکی حکومت سے اس کا کوئی تعلق نہیں ہے





6. Correspondence with stakeholders

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

GINI is currently engaging sales tax paying small and medium enterprises in working for the simplification of the administrative burden of complying with the sales tax law. We are also running press and media 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 has also propagated through focus group discussions and meetings of local network partners to the community elders including women, traders associations and

small entrepreneurs along with CSOs/Civil Society Groups about the reality-facts that this is the high time when we need reforms at larger scale, if not now, what we think, we could be facing much difficult and different future, in terms of country's development, we have the right to raise my voice for my country's better future for newer generation to come.



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 reports, field activities, media release, photo gallery etc. Social blog and use of facebook social media is also utilized and a specific group is dedicated to the project with the network partners/members and inviting other common citizens with the face of new youth generation. Their feedback and suggestions will also be considered at the proper stage of drafting the policy recommendations and Bill of Rights.

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						
Dissemination TPI	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
Federal Policy Roundtable Dialogue	4	1	1	1	1	1	0	1	1		20	50	70
Coordination with Inland Revenue	8	3	3	3	3	0	0	1	1		12	7	19
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:

Funds transfer remained the major hurdle for not conducted project events planned and indicated in last report.

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 third and fourth Federal Policy Roundtable Dialogue
- Continue Awareness Campaign
- Prepare IEC material
- Conduct District Awareness Seminars