

Politicians refuse to pay where tax evasion 'is a national sport'

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Tax evasion in Pakistan is a "national sport" according to the journalist behind a recent investigation that found more than two thirds of the country's parliamentarians didn't file a return last year.

Among those accused of failing to file complete returns were President Zardari, the former Prime Minister, Yousaf Raza Gilani, and the Interior Minister, Rehman Malik. Although the politicians paid tax on their official salary, it is often just a fraction of their true, undeclared income, say critics. Of the main political figures only Imran Khan, who claims to have paid income tax in the past three years, campaigns on a promise to reduce Pakistan's dependence on overseas donors.

"In Pakistan tax evasion is national sport," says Umar Cheema, head of the Centre for Investigative Reporting in Pakistan and author of the report. "Nobody considers it a crime. Those who make revenue policies, run the government and collect taxes, have not set a good example."

The administration does not lack information on high-spending Pakistanis who are evading tax. Using its world-leading identity card system, data was recently collected on the consumption patterns of its richest individuals and matched against tax records.

Tariq Malik, chairman of the National Database and Registration Authority, said that the results suggested that there were 3.6 million tax dodgers in the country. "We found 1,611,153 frequent travellers, 56,421 residents of up-market localities, 584,730 individuals who have multiple bank accounts and 19,149 owners of expensive vehicles do not have a national tax number," he said.

Just 260,000 people paid tax in each of the past three years, according to the Federal Board of Revenue, which helps to explain why the country's tax-to-GDP ratio is among the worst in the world.

Pakistan's booming population has emerged as a major worry among West-

ern observers who fear what millions more ill-educated, unemployed young adults could further destabilise the nuclear-armed country, which is already battling a raging insurgency. The prospect of the country's first transition of power from one elected regime to another at polls due on May 11 has raised hopes that democracy may at last be taking root in a nation which has had three periods of military rule.

But the results of a British Council funded opinion survey released yesterday point to the deep dissatisfaction many young Pakistanis feel about the way they are governed. Most said they would prefer an Islamic Sharia administration or a military government than an elected administration.

However, Professor Christine Fair, an expert on Pakistan at Georgetown University, said that the country had for too long exploited its reputation as being "too dangerous to fail".

In 2010 Britain was the fourth largest bilateral donor behind the US, Germany and Japan. The \$173 million (£114 million) Britain gave was dwarfed by a total US contribution of \$2 billion and represented less than 5 per cent of the total aid the country received.

"Pakistan, unlike India, has never been forced to collapse and until it does it won't reform and taxpayers in Britain and the US will continue to subsidise the rich not paying their taxes," Professor Fair said.

She added that Pakistan levies neither an agricultural nor an industrial tax, the two sectors from where most of Pakistan's politicians, their families and patronage networks get their incomes. The only likely option for raising revenues was a government sales tax, which would hit the country's poor hardest. "Given that this election is up for grabs it's not very likely that any party is going to campaign on introducing a regressive tax," Professor Fair said.

