

## Pakistan's Taxation System: A Critical Appraisal

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**Abstract :** The constitution empowers the Federal Government to collect taxes on income other than agricultural income, taxes on capital value, customs, excise duties and sales taxes. The Central Board of Revenue (CBR) and its subordinate departments administer the tax system. Each of the three principal taxes has a different history and different set of issues. For a large number of income tax payers the core of the business process is pre-audit and assessment by a tax official. This process gives considerable discretion to tax officials, with potential for abuse. Moreover, this process is also not tenable as the number of taxpayers increase. The report is focused on a total overhaul of the process and organization of income tax. Sales tax is recent and its process and organization is adjusted to the needs of an expanding tax base. These are based on self-assessment and selective audit. Similarly, in customs the accent is on accelerating and broadening the changes begun in recent years. Before long, central excise will be subsumed in sales tax. During the nineties, despite many changes in the tax regime and introduction of withholding and presumptive taxes, Federal Government tax to GDP ratio has varied narrowly around eleven percent. The tax base has grown but still remains narrow and skewed. The number of income tax filers is around one million.

**Keywords :** central board of revenue, GDP, sale tax, income tax

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