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Impact of Tax Reduction Policy on Banking Sector in Pakistan

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Abstract: This study analyzes the impact of tax policy reforms on the profits of banking sector. The empirical results of unit root and Augmented Dickey Fuller (ADF) test reveal that the data series of tax is positively skewed whereas data series of profitability is negatively skewed. The kurtosis value indicates that all the series are platykurtic. From the value of ADF statistics, it is evident that all the variables are non-stationery at log level and are stationary at their first difference. Granger Causality Test shows that profitability of banking does not granger because tax but tax granger cause profitability of banking which depicts that the change in tax rate affects the profitability of banking industries. The study finds that reduction in corporate income tax rates for banking sector has produced positive impact in shape of increased banking sector profits and assets during the period under review.

Key Words: *Tax Reduction Policy, Reforms, Profits, Economic activity in banking sector*

1. Introduction

Health of economy depends on factors like natural resources, human capital, good governance, institutions and prudent policies. The role of each indicator is important, nevertheless, the taxation policy and generation of ample revenues holds the key position particularly in the natural resources deficient developing countries. According to modern theory and practice, the taxation policy is aimed at not only to fetch sufficient revenues but also to regulate the demand, consumption, international trade (protection of local industry), promote investments and redistribution of resources. Nevertheless, the raising of revenue is a key element, but the taxes should not create any distortions in the economy. Ahmad, E. and Stern, N. H. (1991) state that the central issues in the theory of taxation have been equity, efficiency and revenue. Newbery, David, Stern, et al (1987) have quoted both Adam Smith and John Stuart Mill saying that taxes should be imposed according to the ability of the taxpayer to pay. Recently there has been a broad consensus amongst tax policy makers that taxes ought to be used as instruments of social and economic policy. Steeply progressive taxes were thought of as a social good because they contributed to economic redistribution in society. High marginal tax rates also made it possible for governments to manipulate the tax code in particular ways in order to advantage some types of economic activity and discourage others.

The major economic problem of Pakistan is the inappropriate taxation policy and structure leading to lower tax-GDP ratio, narrow tax base and thus insufficient resources available for poverty alleviation. The current tax-GDP ratio is hardly 9%; out of 170 million population, only 2 million are the National Tax Number (NTN) holders and less than 1% pay income tax (Economic Survey 2009-10, FBR Data Centre). The administrative financial corruption has always created pressures on the fiscal managers. The World Bank Study 2009 about the FBR Reforms reveals that there is a tax gap of around Rs. 800 billion due to malpractices in the organization. On the other hand, Economy of Pakistan during last two decades did not perform well. The poverty and income inequality showed rising trends. Amjad and Kemal (1997), state that the policies pursued under the Structural Adjustment Programme have tended to increase the poverty levels mainly because of indirect taxes. To address the tax related issues the government of Pakistan on the advice and recommendations of the international donors like World Bank and IMF decided to announce a reforms strategy including federal taxes in 2001. The main objective of tax reforms was to enhance government tax revenues through efficient tax administration, simple laws, tax friendly environment and widening of tax base.

So far, in Pakistan no specific study was found to evaluate the "Impact of tax reduction policy on banking sector in Pakistan". This study will try to explore and analyze the impact of tax policy reforms on the profits of banking sector. As per Income Tax Ordinance 2001, the corporate income tax rates were 66% and as a policy change were gradually reduced to 35%. Economists agree that the higher rates usually discourage the businesses, large corporations and other taxpayers and resultantly there is more tax evasion, corruption, insufficient revenue generation and eventually under development and poverty. The income tax rates were on the higher side before the taxation reforms in the country. The cost of doing business was very high, bankers were reluctant to invest and particularly foreign investors found the higher rates an impediment. Keeping in view these factors overall individual and corporate income tax rates were reduced. This study would focus on the impact of tax policy changes including tax rates reduction on the performance of banking sector in Pakistan. The study will discuss critically the statement **"**would the reduction in corporate income tax rates for banking sector will raise tax revenues and banking assets**".** In some cases, we may find the taxation reforms have not been able to produce the desired outcome; therefore, we may need some other measures and changes along with reforms to ensure increased tax revenues, growth and economic activity.

- Were the higher income tax rates a hurdle in the way of banking sectors' profitability?
- What impact had been of rates reduction on banking sector profitability?
- If profitability did not improve, which factors were responsible?

To answer these questions the study would mainly depend on the secondary data like Economic Survey, FBR Data Bank, SBP data, related research articles etc. The research will travel through the path on the model shown in next part. The objectives of study are to know the impact of higher tax rates on profitability of banking sector. To know the impact of decrease in tax rates on profitability of banking sector and to know the impact on growth of assets of banking sector due to decrease in tax rates. For last many years, lower tax revenue results in to unsustainable fiscal imbalance. The government, as a result depend on heavy borrowing from the banking system, which in turn exerts pressure on short-term interest rates, with adverse implications for inflationary expectations, private sector credit and overall macroeconomic stability. The only possibility of the resource generation is none other than sound tax system generating more revenues without creating distortions in the economy.

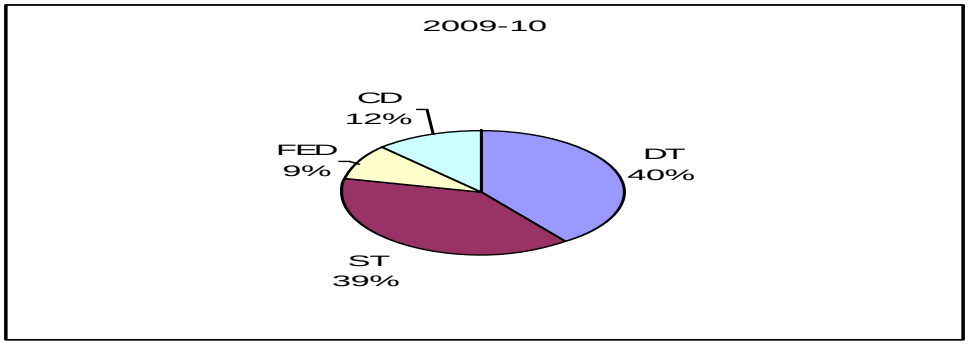
The SBP issued a stunning disclosure in its second quarterly report for 2010-11. The report said that although fiscal indicators showed some improvement in the second quarter of FY11 with substantial growth in non-tax revenues, the overall fiscal position during H1-FY11 deteriorated. Consequently, the fiscal deficit increased to 2.9 percent of GDP from 2.7 percent in the same period last year. This study aims at finding the impact of Tax reforms in overall revenue collection with major focus on banking sector's profitability and assets growth therein.

Tax Policy Reforms Initiatives in Pakistan: According to World Bank Study 2009 on FBR Reforms the key issues of the taxation system and revenue organization during pre-reform period in Pakistan were; discretionary powers with tax officials, corruption, narrow tax base, high tax rates, SRO culture, low share of direct taxes, low buoyancy, heavy reliance on withholding taxes, delayed refund payments and a non-friendly environment in tax offices. These factors not only reduced the tax collection but also resulted in the loss of credibility of the tax machinery in public. Within income tax, the rates for the corporate sector were exceptionally high which not only discouraged tax compliance but also encouraged tax avoidance and evasion. During the year 1992-93 banking, public and other companies were taxed at the rate of 66 per cent, 44 percent and 55 per cent, respectively. Similarly, income tax returns submitted by the taxpayers were subjected to full assessment resulting into un-manageable litigation process and un-necessary wastage of precious time of taxpayers. The custom duty rates were extremely high based on infant industry argument.

Pakistan is entangled with the inappropriate taxation policy and structure leading to lower tax-GDP ratio in the region, narrow tax base and thus insufficient resources available for poverty alleviation. The current tax-GDP ratio is hardly 9%; out of 170 million population, only 2 million are the NTN holders and less than 1% pay income tax (Economic Survey 2009-10, FBR Data Centre). The ratio of direct and indirect taxes has also been an issue, nevertheless, with the passage of time the share of direct taxes kept rising and reached around 40%. Another serious problem is financial corruption that keeps under immense pressures the fiscal

managers. The World Bank Study 2009 about the FBR Reforms reveals that there is a tax gap of around Rs.500 billion due to malpractices in the organization. There are various sources of federal revenues; however, four taxes are the major sources of federal government tax revenues. The federal government collects more than 90% tax revenues. Four major taxes are the Direct Taxes/Income tax on corporations, firms, individuals and associations of persons and Indirect Taxes including GST, Federal Excises and Customs duties.

Graph 1: The share of each tax is shown in below



Source: FBR data base

2. Literature Review

There is voluminous literature on the taxes and fiscal issues in the world revealing various policy options for a suitable taxation structure. Recently there has been a broad consensus amongst tax policy makers that taxes ought to be used as instruments of social and economic policy. Steeply progressive taxes were thought of as a social good because they contribute to economic redistribution in society. In case of Pakistan high income tax rates lead to tax evasion and other indirect taxes like sales tax and excise duties lead to price hike hence more burden on poor. Jonas and Linda (Oct 2007) simulated the effects of taxes on products and/or nutrients aimed at encouraging healthier grain consumption. Hinnosaar (2004) estimated the impact of changes in social benefits and taxes on Estonian labor market will be analyzed using a simple computable general equilibrium model. He used the model from Bovenberg et al. (2000), with the addition of an efficiency wage part based on Shapiro and Stiglitz (1984). key objectives of the modernization program was to ensure that the revenue structure was flexible enough to guarantee increased revenues during the growth process without the necessity of resorting to discretionary policy or inflationary financing.

Refaqat (2002) assessed the welfare impact of GST reform on Pakistani households between 1990 and 2001. Romer and Romer (2007) is of the view that legislated tax increases designed to reduce a persistent budget deficit appear to have much smaller output costs than other tax increases. Similarly, increased taxes can have a negative effect on the investments leading to low profits forcing investors to pull their investments leading to distortions in the market and poor GDP growth. Similarly, some others advocate reduction in the tax rate as it leads to increased economic growth and prosperity. Others claim that if we reduce taxes, almost all of the benefits will go to the rich, as those are the ones who pay the most taxes. There are a few basic concepts on which virtually all the economists agree. Dunstan et al. (2007) considered tax changes could have very different effects: tax cuts designed to spur savings could be mildly contractionary, while company tax cuts will tend to be expansionary.

Background of the Taxation Reforms in Pakistan: The prevailing taxation faced the problems like corruption, narrow tax base, high tax rates, smuggling, statutory regulatory Orders (SROs) culture, heavy reliance on withholding taxes, delayed refund payments, low salaries of tax officials and unfriendly behavior of tax collectors (Report of task force 2001, World Bank:2001). These factors not only reduced the tax collection but also resulted in the loss of the credibility of tax machinery in the public. With such type of serious issues, it is hard to attract FDI, promote business, healthy competition and grow the economy. In the past, various steps were taken by the then governments to improve the taxation system. These efforts were

lacking strong political will and were on the small scale. Some of the significant steps taken in the past are a substantial decline in the customs rates i.e. 92% to 25%, resultantly the revenue from CD increased significantly during last few years (FBR Book 2009- 2010). The size of un-documented economy had exceeded the size of the documented economy and according to World Bank estimates. There was a potential of raising another 600 billion rupees as revenue by bringing the informal sector of the economy into the tax system. Therefore, the government by realizing this need launched a survey for the documentation of economy in year 2000-01 mainly to enhance the tax base, revenue and to document the economy.

The first major effort in the history of Pakistan was carried out in 1998 to address the problems of revenue administration. Mr. Moinuddin Khan, a private sector banker was made Chairman CBR on the insistence of business community. A number of short-term and long-term reforms were initiated to make CBR a trustable revenue collecting authority. He announced reward schemes for extra ordinary performance, scholarships for the employees for higher education, hired private members to make CBR an efficient organization etc. In his period, the revenue target was achieved to the extent of 100.2% (FBR Database), which was very rare in the history of the country. Keeping in view the failure of the past tax reforms in the country in year 2000 the government constituted a Task Force on Reform of Tax Administration, which presented its report in April 2001, meanwhile the IMF also carried out its own study and presented its findings in August 2001 (CBR Quarterly Review: April-June 2002). The report further adds that a tax reform strategy was devised, which was approved by the President of Pakistan in November 2001 and restructuring started from CBR headquarter and as a first and important step professional members from private sector were inducted at policy level with salaries matching with private sector. Structure and Overview of Pakistan Economy: The economy is divided into two broad sectors i.e. Commodity producing sector and Services sector. The detail is given in the table 1.

Table 1: Sectoral Share (%) in GDP

Sectors	2003-04	2006-07	2009-10
I. Commodity Producing Sector (A+B)	48.4	48.2	46.7
A. Agriculture	22.9	21.9	21.5
B. Industry	25.5	26.3	25.2
II. SERVICES SECTOR	51.6	51.8	53.3

Source: Economic Survey 2009-10

The major sectors in commodity producing sector are textile, leather, cement, sugar, steel, fertilizer, automobile, whereas in services sector major share goes to wholesale and retail, banking and finance, transport and telecom. Economy of Pakistan witnessed many ups and down since 1947. It has been doing exceedingly well until late 1960s, 1970s has not been favorable, again performed well in 1980. The decade of 1990s has not been good for the economy. Kemal (2001) stated that the poverty has increased rather sharply in the 1990s in Pakistan. However, after long recession the recovery started since year 2000 and continued until 2007. GDP growth for five successive years remained more than 6% (Economic Survey 2006-07). During this period industry expanded, services sector grew and in the services sector telecom, banking, transport sectors recorded unprecedented growth. Pakistan's Exports also recorded healthy growth during 2003-2007 (ibid). Nevertheless, since 2008 again the economy is under immense pressure. In FY 2010-11 Real GDP growths stood at 2.4% against the target of 4.5% (Economic Survey, 2010-11). The agriculture did not perform well and growth remained only 1.2%. However, the strong performance of services sector, which grew at 4.1 percent, has kept the overall growth in a reasonable range. According to Economic Survey 20010-11 the rice crop production unexpectedly went down to 4.8 million tons which will be lowest ever production since 1994-95, moreover, the wheat production stood at 24.2 million tons as against last year's actual production of 23.8 million tons. The livestock grew at rate of 3.7 percent as against 4.2 percent last year.

In services sector banking sector has flourished well during last 5-8 years. Pakistan had started with only 4 local commercial banks with 23 branches in operation in both parts of the country (SBP Annual Reports). The

share of financial sector in GDP has ranged between 3.4 and 5.9 during 03-04 and 09-10 (Economic Survey 2009-10). Financial system has grown in recent years but still there is potential for growth. In the early 1990s, there was a significant policy shift towards privatization and restructuring of the domestic banking industry and financial institutions. Currently, there are more than 50 public, private, foreign and specialized banks and around 10,000 branches operating in the country. The banking spread has reached to 7.3 in 2010 as compared to 4.0 in 2003. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. The banks mobilize savings of people for the investment purposes. The banks facilitate foreign trade as the money is transferred through banks in respect of export and import payments from one country to other. During last few years, particularly after the initiative of financial sector reforms, the system has experienced remarkable changes that have vastly improved the working of the banks according to the international standards. Modern techniques and technologies have been adopted, more emphasis have been laid on the acquisition of professional workforce. Resultantly, the banks productivity and profitability have improved significantly.

Tax Policy and banking profits: The higher rates usually discourage the taxpayers. Keeping in view this the government reduced the income tax rates for banking sector significantly. The income tax rates for the banking companies were quite high during early 1990s in Pakistan (Income Tax Ordinance, 1979). Under the ongoing reform program, FBR has taken bold initiatives and offered drastic reduction in tax rates of banking companies. The income tax rates have gradually been reduced from 66% in 1992 to 35% (Income Tax Ordinance 2001). The historical and gradual reduction in rates is shown in table 2:

Table 2: Income Tax Rates of Banking Companies

Assessment Year	Banking Company (%)
99-00	58
00-01	58
01-02	58
02-03	50
03-04	47
04-05	44
05-06	41
06-07	38
07-08	35
08-09	35
09-10	35

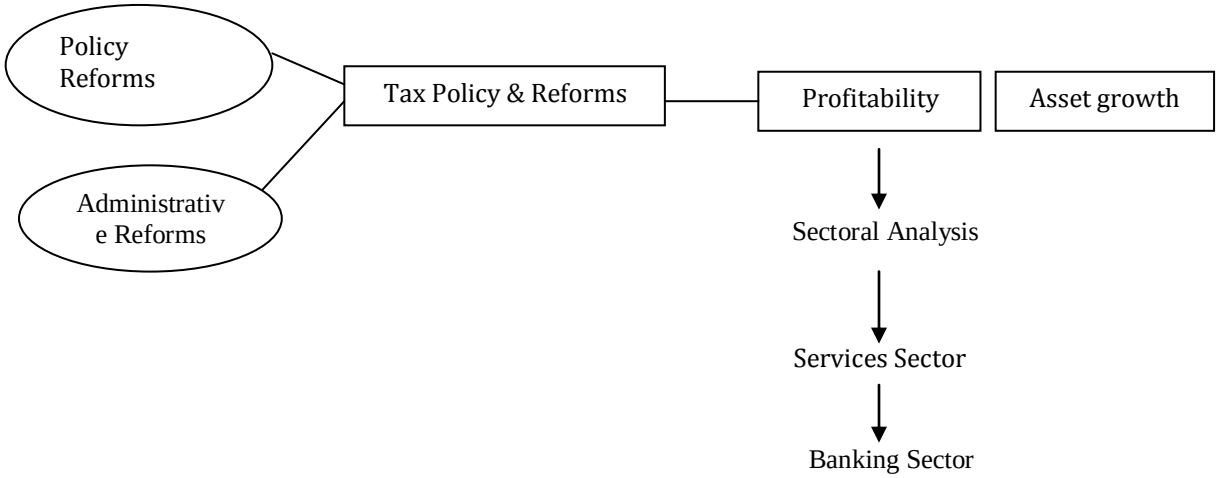
Source: FBR Data Bank

Tax Reductions vs. Baking Profitability: Major objective of a revenue organization like FBR is revenue generation by creating taxpayers friendly environment and by avoiding the economic distortions in the country. Nonetheless, the ultimate objective of the taxation reforms program is the economic growth, development, and welfare of the people. Economic growth depends on the performance of various sectors in the economy. Higher rates usually discourage the businesses, large corporations and other taxpayers and resultantly there is more tax evasion, corruption, insufficient revenue generation and eventually under development and poverty. The cost of doing business was very high, bankers were reluctant to invest and particularly foreign investors found the higher rates an impediment. Keeping in view some factors overall individual and corporate income tax rates were reduced, the maximum customs duties were also reduced to 35% in most of the cases. No study has been conducted to evaluate the impact of tax policy changes like tax rates reduction on the performance of banking sector. Therefore, this study would focus on the impact of tax policy changes including tax rates reduction on the performance of banking sector in Pakistan including its profits and assets accumulation.

Research Model: This research is based on both qualitative and quantitative research methods to yield more appropriate and effective outcome. Figure 1.1 illustrates the relationship between independent variables and dependent variables. Independent variables include tax policy and reforms including tax structure systems,

tariffs, systems & procedures whereas the dependent variables include impact of tax policy changes on profitability of services sector particularly banking sector. Following is the model of independent and dependent variables. The research will travel through the shaded path in both the models.

Hypotheses Statements: To understand the relationship between increase and decrease of Income tax on the profitability of services sector i.e., Banks, following hypothesis has been developed for further research:
H1: Higher Income Tax rate has negative effect on the profitability of banking sector.
H2: Lower income tax rates have positive effect on the assets of banking sector.



3. Methodology

This research study is based on secondary data. The impact of taxes policy reforms and banking sector has been selected for this study to understand the impact of Tax policy on the profitability of banking sector. The analysis period was from the CY2000 to CY 2006 and CY2006 to CY2010. The data was taken from statistics department of the State Bank of Pakistan, FBR Year book 2000-01, 2001-02, 2002-03, 2005-06, Economic Surveys of Pakistan from 2000-01 to 2010-11, 2003-04, Pakistan Income Tax Ordinance 2001, the audit annual reports of all banks operating in Pakistan and FSA-2002 and Banking Services Department of State Bank of Pakistan. The measures used to describe the data set were the central tendency and measures of variability or dispersion. Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation (or variance), the minimum and maximum variables, kurtosis and skewness. The relationship between independent variables and dependent variables was checked. Independent variables include tax policy and reforms including tax structure systems, tariffs, systems & procedures whereas the dependent variables include impact of Tax Policy Changes on services sector particularly on banking sector's profitability. Unit root and Augmented Dickey Fuller (ADF) test was used to check the stationary of data. Moreover, Granger causality test was applied to see if causal relationship exists between variables then they could be used to predict each other.

4. Analysis and Discussion

Descriptive statistics and Unit Root Test: A set of brief descriptive coefficients that summarizes a given data set, which can either be a representation of the entire population or a sample. The measures used to describe the data set are measures of central tendency and measures of variability or dispersion. Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation (or variance), the minimum and maximum variables, kurtosis and skewness. Descriptive statistics provide a useful summary of security returns when performing empirical and analytical analysis, as they provide a historical account of return behavior. Although past information is useful in any analysis, one should always consider the expectations of future events. Unit root augmented dickey fuller (ADF) test is used to check the stationary of data Table 3 shows the result of descriptive statistics and augmented dickey fuller (ADF) test.

Table 3: Descriptive statistics and ADF Test for Unit Root

Variables	Mean	Std Dev	Skewness	Kurtosis	T –Stat at level	T – Stat at 1st Dif
Tax	45.364	9.489	0.286	-1.558	-2.633	-4.652
Profitability	38.564	30.101	-0.179	1.988	-2.633	-5.355

5% critical value -3.2598 at level

Table 3 presents the results of descriptive statistics of logged data. The value of skewness indicates that the data series of Tax is positively skewed whereas data series of profitability negatively skewed. The kurtosis value indicates that all the series are platykurtic. From the value of ADF statistics, it is evident that all the variables are non-stationery at log level and are stationary at their first difference.

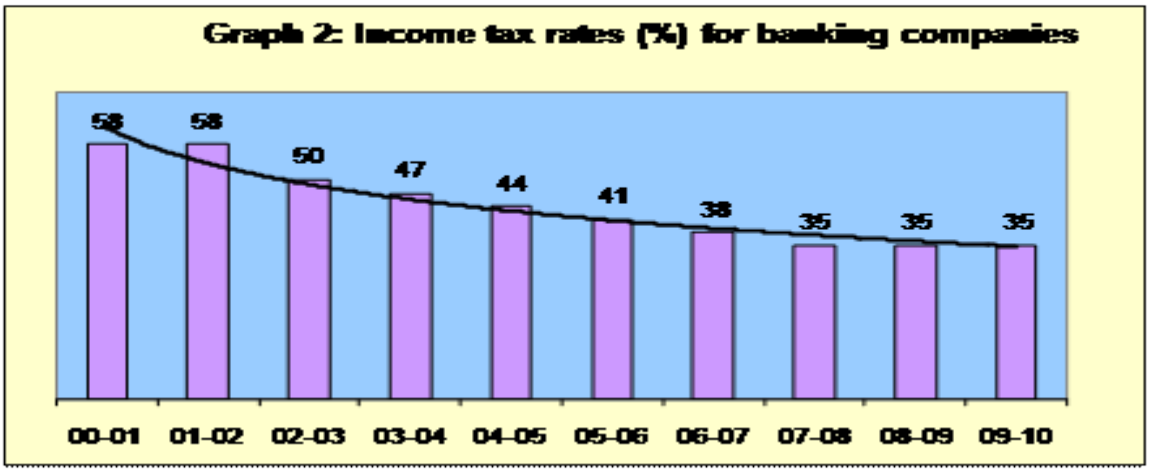
Granger causality test: In this study Granger, causality test has been applied. Granger proposed that if causal relationship exists between variables, they could be used to predict each other.

Table 4: Results of Granger – Causality Tests of Profitability and Tax

Null Hypothesis:	Obs	F-Statistic	Prob.
PROFITABILTY does not Granger Cause TAX	9	1.68479	0.2946
TAX Granger Cause PROFITABILTY		0.26605	0.0090

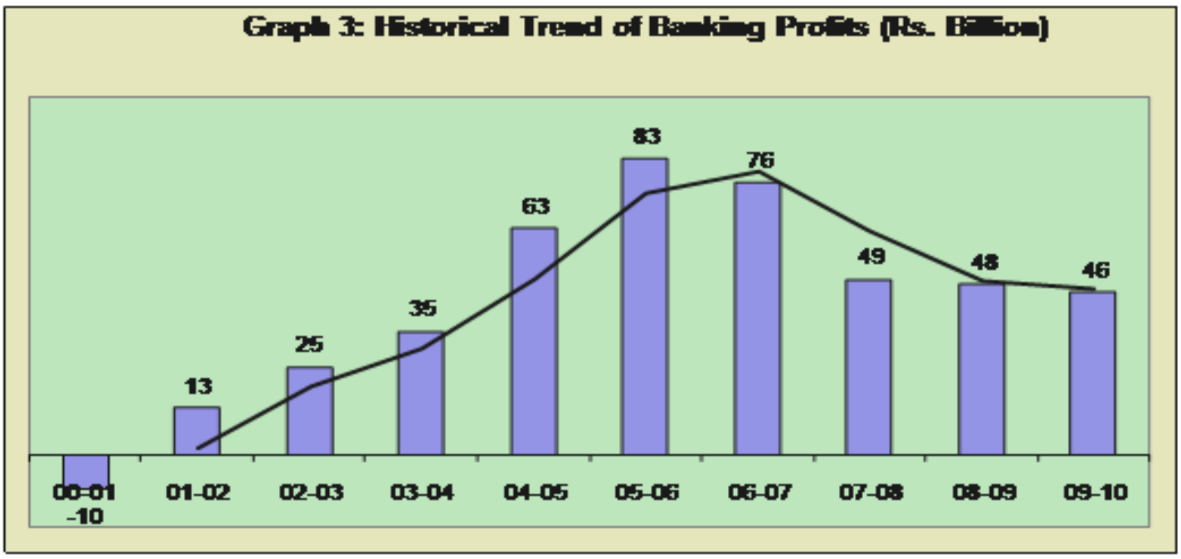
Table 4 presents the results of bivariate granger causality test. The result shows that Profitability of banking does not granger because tax but tax granger causes profitability of banking. It means that if tax rate change it affects the profitability of banking industries. The result of table 4 presents that there is relationship between tax and profitability of banking industries.

Income Tax Rates vs. Banking Profitability and Economy:
The year-wise reduction in income tax rates is shown in Graph-2. The next graphs show impact of tax rates reduction.



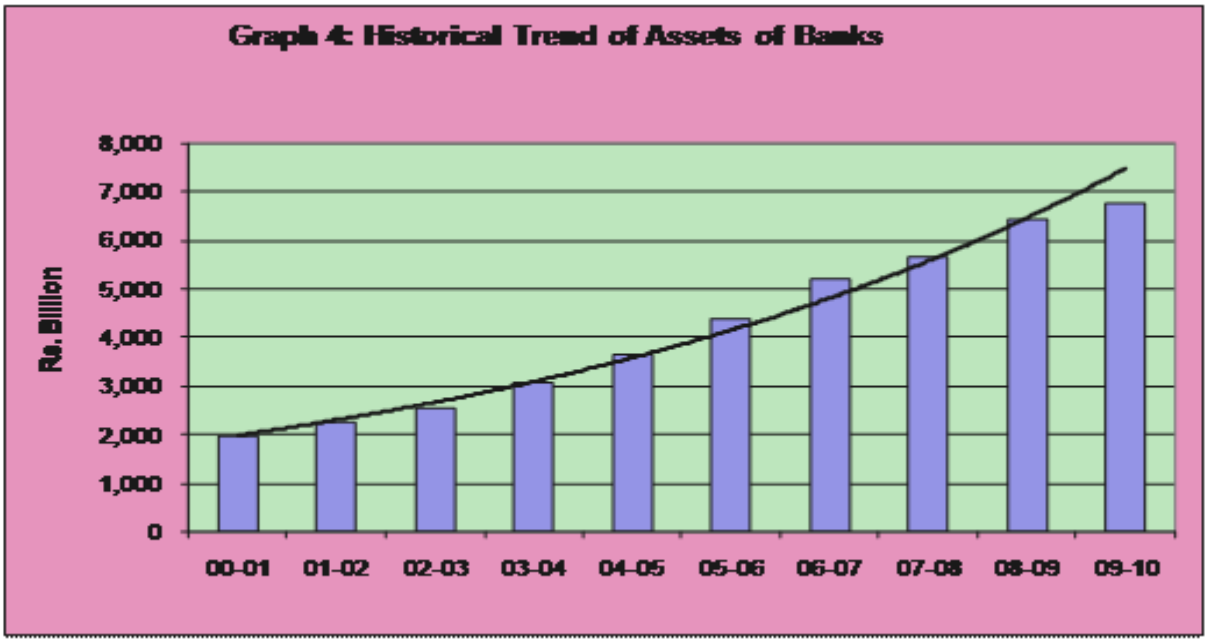
Source: Data is taken from FBR Data base and SBP Annual Reports and the graph generated buy the author

Our hypothesis stands true that the "reduction in tax rates has been helpful in enhancing profitability of banks". The profits of bank have shown enormous growth of about 250% during 2000-01 to 2009-10 (Graph-3). Clearly, there is a positive impact on the profitability of banks, the major reason is attributable to rates reduction and the other reason is the natural growth and overall boom in the economy during mid 2000s.



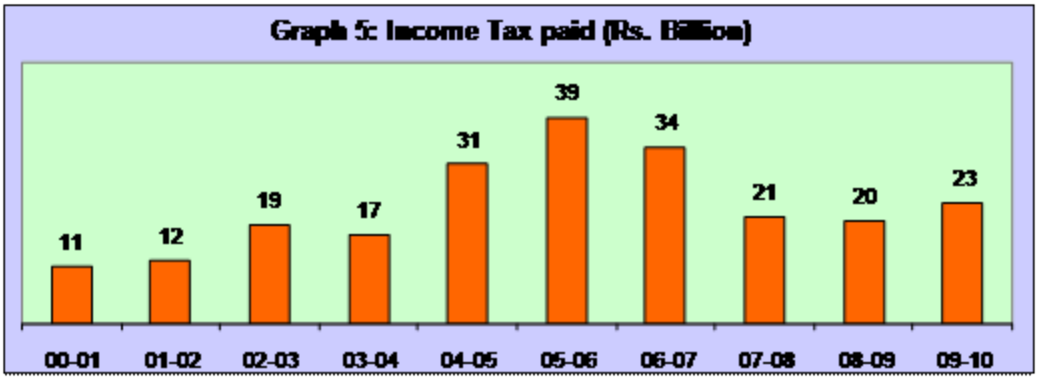
Source: Data is taken from FBR Data base and SBP Annual Reports and the graph generated buy the author

Moreover, during the same period the assets of banks have increased manifold (344%) (Graph-4). Normally increase in assets of any commercial entity is backed by increased profitability, business activity and expansion. In this case, it appears true that the expansion in assets of banks was backed by business expansion. The number of banks, their branches, account holders and deposits show a significant growth.



Source: Data is taken from FBR Data base and SBP Annual Reports and the graph generated buy the author

Most importantly the contribution of banking sector in shape of taxes have also been highly encouraging, which jumped from Rs.11 billion Rs. 23 billion (Graph -5). During 2005-06, the income tax paid by the banks touched the peak of Rs.39 billion; however, due to economic slow down in the country the tax contribution declined in the later years.



Source: Data is taken from FBR Data base and SBP Annual Reports and the graph generated buy the author
Nevertheless, despite all negative macroeconomic indicators, particularly, in recent years the banking sector has flourished and eventually has helped national exchequer in the shape of healthy income tax contribution.

5. Conclusion and Recommendations

The current study reveals that ongoing tax policy reforms initiative in the country produced mixed results as a whole. The objective of tax reforms has not been fully met, nonetheless, some positive changes have been witnessed as large taxpayers have been facilitated through LTUs, modern valuation techniques facilitated the importers, the reduced tax rates brought the fruit in the shape of more tax revenues etc. However, the major objective and focus of the study was to evaluate the reduction of income tax rates on the performance of banking sector in Pakistan in shape of its profitability and assets accumulation. The results of both statistical tools applied and secondary data confirmed that the profitability of banks have increased enormously which resulted into expansion in banking activities, assets and higher tax contribution by the banking sector. According to the results of descriptive statistics of logged data, the value of skewness indicates that the data series of Tax is positively skewed whereas data series of profitability negatively skewed. The kurtosis value indicates that all the series are platykurtic. From the value of ADF statistics, it is evident that all the variables are non-stationery at log level and are stationary at their first difference. The results of bivariate granger causality test shows that Profitability of banking does not granger because tax but tax granger causes profitability of banking. It means that if tax rate change it affects the profitability of banking industries. The result of the test in the study presents that there is relationship between tax and profitability of banking industries.

The hypothesis stands true that the "reduction in tax rates has been helpful in enhancing profitability of banks". The profits of banks have shown enormous growth of about 250% during 2000-01 to 2009-10. Clearly, there is a positive impact on the profitability of banks, the major reason is attributable to rates reduction and the other reason is the natural growth and overall boom in the economy during mid 2000s. Moreover, during the same period the assets of banks have increased to extent of 344%. Normally increase in assets of any commercial entity is backed by increased profitability, business activity and expansion. In this case, it appears true that the expansion in assets of banks was backed by business expansion. The number of banks, their branches, account holders and deposits show a significant growth. Moreover, the contribution of banking sector in shape of income tax paid is highly encouraging, as it jumped from Rs.11 billion to Rs. 23 billion in the period of ten years. During 2005-06, the income tax paid by the banks touched the peak of Rs.39 billion; however, due to economic slow down in the country the tax contribution declined in the later years. Nevertheless, despite all negative macroeconomic indicators, particularly, in recent years the banking sector has flourished and eventually has helped national exchequer in the shape of healthy income tax contribution.
Hence it is concluded that the overall impact of reduction in income tax rates have been quite positive in shape of increased profitability, assets and higher tax contribution by the banking sector. The reduction of rates boosted the confidence of corporations and particularly banking companies, whose profits, assets, tax contribution increased manifold rather unprecedented in the history of Pakistan. It is concluded that income tax rate effect the profitability of the banking sector. It means that there is relationship between income tax

rate and profitability of the banking sector. Moreover, it can also be inferred based on findings of the study that the similar policy measures if replicated in other sectors would produce positive results.

Recommendations: Based on the study, analysis, and its results, following recommendations are given to be further adopted in policy formulation and tax reforms in Pakistan to boost and enhance the business growth and economic activity in the country.

- Keeping in view the benefits of rates reduction policy the corporate income tax rates for banking companies need to be further analyzed and if there is a room for more reduction, the government should not hesitate to further facilitate banking companies by allowing more decrease in the rates.
- It is recommended that FBR should re-visit the higher tax rates prevailing in other sectors, which may also be reduced to boost the economic activity and curb the harassment of the taxpayers for better tax compliance and revenue generation.

- The policy reforms initiatives should be continued with more focus, determination and consistency in order to create a very friendly tax culture in the country, which encourage the investments, accelerate the economic activity, alleviate the taxpayers' fears, enhance the tax base, reduction in tax rates, elimination of corruption and to turn the revenue collecting authority in to an effective institution facilitating economic managers by meeting revenue targets.

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