

Shorter Notice

Jorge Martinez-Vazquez and Musharraf Rasool Cyan (Eds.). *The Role of Taxation in Pakistan's Revival*. Karachi: Oxford University Press. 2014. xxii+612 pages. Pak Rupees 1,500.

The book is specifically focused on the issue of taxation and its role in Pakistan's economic revival. It contains history of taxes in Pakistan, reforms proposed in different eras, and reasons for implementing certain taxes as well as reasons for abolishing certain taxes. In short, it comprehensively covers all the aspects of taxation in Pakistan. The book describes several issues of lower taxation in Pakistan in detail. It also compares taxation structure and policies with other countries. While comparing with several other countries, the book identifies several shortcomings in the system of tax collection in Pakistan. Among several issues, underground economy, tax evasion, bad tax administration, are identified as the main issues. The ultimate solution to generate higher revenues from taxation, according to the book, is reforms. Each chapter, along with identifying the problem, gives solutions to rectify the problem for every type of tax. The book contains nine chapters starting with the introduction of the taxation structure in Pakistan. The chapter raises issues of buoyancy, equity, efficiency and tax administration. The second chapter starts with the snapshot of Pakistan's economy, followed by the biggest problem of individual taxation, i.e., narrow tax base and exemption of several sectors from various taxes. Although, the idea of exemption is to increase profitability in different sector, it is ultimately used for tax evasion. Overall, this chapter reviews the major taxes in Pakistan, along with their performance and implementation. Special attention is given to the corporate taxes and business incentives in Chapter 3. It also covers the problem of exemption resulting in lower revenues, along with the discussion of several other issues. It also spells out distorting behaviour of corporate taxes and suggests reforms to correct it. Chapter 4 discusses different tax provisions in the global economy such as double tax agreements, trade agreements, transfer pricing etc. The concept of tax incidence, modelling of incidence, and incidence in Pakistan is discussed in Chapter 5. This chapter gives important information about the incidence of taxes on different income deciles, which gives interesting results regarding if we have anti-poor taxation system. One of the important aspects of tax gaps is discussed in Chapter 6. In this chapter, the gaps in different taxes in Pakistan are calculated explicitly. According to the estimates, it is 45 percent; 65 percent in direct taxes and 35 percent in indirect taxes. Interestingly, it shows that there is no tax gap for non-salaried class and salaried class is paying twice the income tax in the form of withholding tax. The important issues of property taxes, underutilised land, and agricultural income tax are

explained in Chapter 7. Potential of several provincial taxes, which have gained importance after the 18th amendment, is explained in Chapter 8. This chapter, apart from agricultural income tax and other land and property taxes, elucidates several issues and solutions to increase provincial taxes. In the end, based on problems and solutions discussed in each chapter, several short- and medium-term reforms are given in Chapter 9. One of the main drawbacks of the book is that several research reports and articles are not cited. Other than that, the book is an important contribution to the issue of taxation in Pakistan. (*M. Ali Kemal*).