

# Background

- The E&T Department Punjab is a major revenue-collecting agency for the provincial government. Property tax is their second largest source of income, contributing 28% to their total revenue collection (Khan and Inam, 2014).
- The Tax-GDP ratio has been low in Pakistan, even compared to other developing countries, and has declined from 13.8% in 1996 to 10.9% in 2010. This was very low compared to regional countries like Sri Lanka(16.5%) and India(14% ).
- Provincial tax revenue has remained stagnant, oscillating between 0.4-0.5% of GDP over the past ten years (Nabi and Sheikh, 2011).
- Property tax in particular has shown even worse performance and is at roughly one-fifth the level of comparable countries, both in terms of local revenues and as a share of GDP. Many reasons have been cited for low collection such as legislative reform, lack of timely surveys, low motivation of government officials, etc. (Ellis et al. 2007).

# Taxes Under Excise & Taxation Punjab

- Property Tax
- Motor Registration
- (Please insert others)

# Initiatives taken

1. Partnerships developed with Research Organizations (Such as the Centre for Economic Research in Pakistan) in view of having an evidence based policy development approach.
2. Digitization of data
3. Citizen involvement is being encouraged at various levels
4. Review of old policies e.g. Valuation tables in property tax updated

# Initiatives taken cont....

## Partnership with CERP

- Tested Monetary incentives on Property tax collection staff. Three different packages were tested with very promising results. Steps being taken to take this into policy. (Results in Appendix)
- Just concluded an intervention testing the effects of Merit Based Transfers and Postings. Currently the Research Team is working on Analysis but preliminary results look positive.
- Although E&T is a revenue collecting body and not directly involved in services, we have partnered with CERP and the Local Government &Community Development Department on a project linking local services to citizen preferences and property tax collection.

# Initiatives taken cont....

## Digitization of Data

- Over the past two years, E&T has partnered with the Urban Unit to digitize property tax data in the 5 major cities of Punjab. Millions of records digitized.
- As with any new system, some bugs were identified. Algorithms were tweaked and process of identifying these bugs and fixing them was put in place.
- Due to this, the most labour intensive part of a tax inspectors job, which was to make tax notices by hand, is now done through a printer, thus reducing the distribution time significantly.
- Expanding the digitization process to the rest of the Province in the next Fiscal Year.
- Going forward, we are developing analysis tools with organizations like CERP using our digitized data, to predict the effect of interventions before applying them

# Initiatives taken cont....

## Citizen Involvement

- Helplines for Motor Registration and Property Tax
- Online Property Tax Calculator to help citizens calculate their liabilities

# Initiatives taken cont....

## Review of policies

- Updated valuation table (Property Tax Rates) after 13 years to align them with market rates. The increased rate is being applied in phases to limit citizen grievances which would be expected in case the jump in their liabilities is very high.
- Issuance of number plates by Car Dealers. Reduces load on E&T which is already suffering from HR constraints.
- Using applied research, proposing incentive programs backed by rigorous research to motivate staff.

# Appendix



# Results of Monetary Incentive Scheme

