

Editorial**Taxing doctors**

THE latest move by the Federal Board of Revenue to demand more information from hospitals about the private practice of doctors and surgeons to cross-check against their returns is a welcome development. The action should be broadened to include other professions as well, such as law, consultancy and accountancy. Doubtless many of those who are impacted by this move will express puzzlement since they are long accustomed to taking their tax obligations for granted. But most doctors and other medical practitioners maintain a private practice in addition to their formal assignment at the institution where they work. It is common practice to pay the doctor's bills in cash after each consultation, and these incomes are underreported to the tax authorities on a large scale. Tax evasion and underreporting are rampant in most professions where the self-assessment regime has been abused to the hilt. The comfort level that all practitioners in these fields have developed with tax evasion must end, and a culture of declaring one's income truthfully must be ushered in.

There are good reasons to believe that the FBR can succeed in this effort today whereas it would have looked like a long shot even a decade ago. The amount of information that is available to the authorities about the spending habits of individuals provides the clearest signal of whether or not they are declaring their incomes honestly. This is what the FBR is using to its advantage in the current drive, asking 30 hospitals in Karachi to provide details about the doctors who work there, with the intention to expand the effort to other hospitals and other cities too. Professional service providers are important because they may be liable to pay tax on two counts, first on their incomes and second on the sale of a private service. The first has to be paid to the federal government and the second to the provincial authorities. It is true that many such professionals will protest this double imposition, but there should be little doubt that compliance is necessary. In time, this drive needs to be broadened, not only for revenue purposes, but also to create a culture of compliance among citizens, especially those who habitually evade taxes or mis-declare their incomes. For his part, the FBR chairman should fast-track credible reforms in the tax machinery to restore trust in the system and simplify the rules of compliance.