

SINGLE SUB-NATIONAL REVENUE COLLECTING AUTHORITY: A CASE OF BALUCHISTAN

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INTRODUCTION

Tax revenue constitutes the foundation of any society's fiscal governance and the provisioning of public services. It supplies governments with the essential resources needed to invest in infrastructure, education, healthcare, and other vital sectors. In underdeveloped regions such as Balochistan, the efficient collection of taxes functions not merely as a means of generating revenue but also as a significant tool for achieving economic stability, reducing dependence on external transfers from the federal government, and fostering growth self-sufficiency.

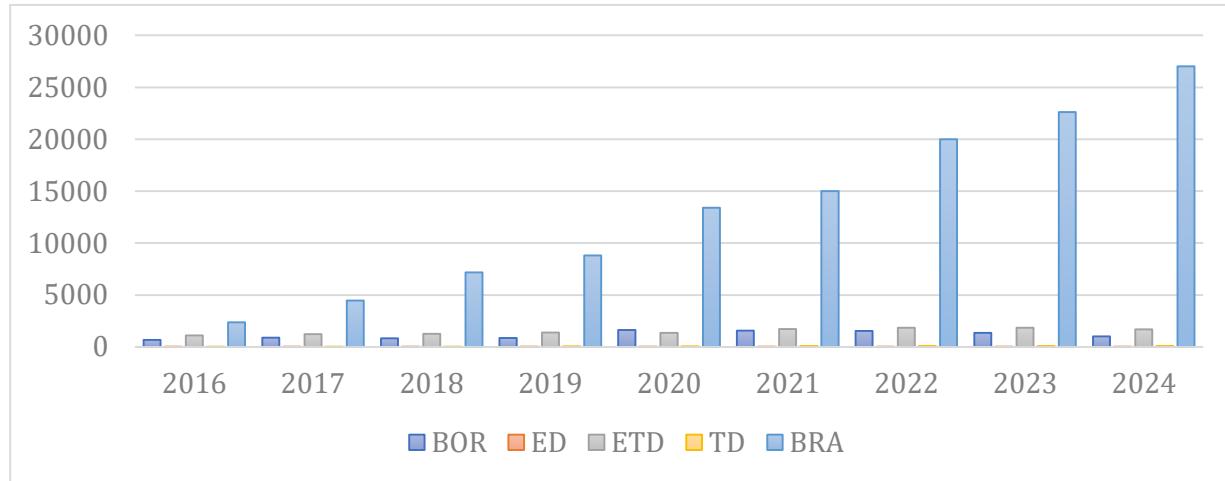
Despite being the largest province of Pakistan in terms of geographical area, the province of Balochistan continues to be one of the most financially reliant on federal transfers to meet its fiscal requirements. For the fiscal year 2023-24, it recorded provincial tax receipts amounting to only Rs. 33.8 billion, in stark contrast to Rs. 481.17 billion received from federal transfers. The province's inadequacy in revenue generation is a principal factor contributing to this dependency, particularly regarding its sub-national taxation systems. Similarly, the high potential taxes—namely the Capital Value Tax on Immovable Property (CVTIP), Urban Immovable Property Tax (UIPT), and Agricultural Income Tax (AIT)—continue to be markedly low. The responsibility for collecting these taxes within Balochistan is distributed between the Board of Revenue (BOR); and the Excise, Taxation & Anti-Narcotics Department (ETD). The province has Five revenue agencies: the Balochistan Revenue Authority (BRA), a semi-autonomous revenue authority; the Board of Revenue (BOR); the Excise and Taxation Department (ETD); the Transport Department (TD); and the Energy Department (ED). Despite this fragmented organisational structure, tax collection remains inadequate to fulfil the province's needs.

Subsequent to the 18th Constitutional Amendment, which conferred greater fiscal autonomy to provinces, the BRA was instituted in 2015 to enhance tax collection efficacy. Numerous countries have instituted more autonomous tax institutions, which are referred to as SARA¹. The primary rationale for this development stems from the necessity to generate sustainable revenue, enhance service quality, and improve governance within the tax administration sector. Since its

¹ SARA are also known as Revenue Authority Model or Unified Semi-Autonomous Revenue Bodies.

establishment, the BRA has consistently exceeded the performance of all primary departments tasked with revenue collection in Balochistan, as illustrated in Figure 1.

Figure 1: Collection of Tax Revenues by Each Department from FY 2015-16 to FY2022-24 in PKR Million



Source: Finance Department, Domestic Tax Revenues of Balochistan, 2024

Notwithstanding the establishment of the BRA and its commendable performance, significant provincial taxes in Balochistan continue to be under-collected, resulting in overall revenue generation that is markedly below its potential. The division of tax collection responsibilities among various revenue agencies, including the BRA, the ETD, and the BOR, has resulted in overlapping jurisdictions, inefficiencies in enforcement, and reliance on outdated collection mechanisms. The problem lies in Balochistan’s inability to consolidate its tax administration under a single authority, which could otherwise lead to significant improvements in tax compliance, enforcement, and overall revenue generation.

This study will explore whether consolidating key taxes under BRA can streamline tax collection, enhance governance, and improve the province's fiscal autonomy. It will also examine the feasibility and potential benefits of consolidating taxes under BRA.

The primary objectives of this research are:

1. To analyse the governance, technological, and enforcement challenges that could hinder the consolidation process.
2. To assess the feasibility and potential benefits of consolidating tax collection functions under the BRA.
3. To provide policy recommendations for improving tax collection efficiency and increasing provincial revenue.
4. To assess the inefficiencies in tax collection among Balochistan's main tax agencies (BRA, ETD, BOR).

METHODOLOGY

This study used a mixed methods approach to examine tax agency consolidation in Balochistan, combining qualitative and quantitative research for a comprehensive analysis of local issues. This design allows for triangulation, validating results across different sources, and captures a thorough understanding by merging qualitative depth with quantitative breadth. We employed an explanatory sequential design, where quantitative findings inform qualitative research.

The qualitative component utilised thematic analysis to identify patterns, while the quantitative component applied descriptive statistics to describe stakeholder perspectives. Focus group discussions (FGDs) gathered stakeholder insights, laying the groundwork for the quantitative instrument. Following FGDs, we conducted semi-structured interviews with stakeholders, including tax department directors and experienced taxpayers, gathering diverse insights into the tax system, addressing institutional resistance, and making collaboration recommendations. Merging these insights with survey data enhances validity and counters biases. A structured questionnaire survey targeting active taxpayers identified significant patterns regarding redundancies and satisfaction, with stratified sampling ensuring representation. Data synthesis through "meta-inferences" combines results, enriching mixed methods research. This approach improves understanding of tax agency consolidation, offering actionable recommendations for policymakers. Overall, the mixed-methods approach ensures scientifically robust and practically relevant conclusions.

CONCLUSION

This study aimed to investigate the complexities of tax administration in Balochistan by exploring operational challenges, governance gaps, technological inefficiencies, stakeholder perceptions of consolidation, and taxpayer engagement and compliance. Employing a mixed methods approach that integrated qualitative thematic analysis and quantitative descriptive statistics, the research provided a comprehensive understanding of the systemic issues and opportunities within the province's tax system. The findings underscore the need for fundamental reforms to enhance efficiency, build trust, and facilitate a successful consolidation of tax functions under the BRA.

FINDINGS

The findings of the study reveal systemic issues and opportunities for reform aimed at enhancing efficiency, trust, and consolidation within the framework of the BRA.

The study reveals operational issues from resource constraints, understaffing, and manual processes that have impaired revenue collection and frustrated taxpayers. Findings highlight the need for capacity-building measures like recruitment, training, and automation for better performance. Political interference, lack of accountability, and poor inter-agency coordination weaken tax institutions' credibility and public trust. The lack of performance benchmarks and transparent

decision-making has worsened inefficiencies, leading to stakeholder scepticism about tax revenue usage. Additionally, technological inefficiencies, such as outdated systems and inadequate infrastructure, have limited effectiveness. Dependence on third parties for data automation has caused delays and inaccuracies, worsened by poor internet and frequent power outages in Balochistan. Findings align with global best practices and emphasise integrated IT systems to modernise tax administration. Both qualitative and quantitative data results show optimism for consolidating tax functions under BRA but raise concerns about its capacity for added responsibilities; phased implementation and preparation are essential. The results suggest transparency and engagement are critical for public support and successful reform. Low taxpayer engagement has resulted from poor education, mistrust of authorities, and complex processes. Results show that many potential taxpayers are unaware of their obligations and sceptical of tax use. Simplifying processes and launching educational campaigns are essential for improving compliance and rebuilding trust. In summary, BRA consolidation offers promise but needs reforms to address operational, governance, technological, and engagement issues. This research offers valuable insights into tax administration in developing regions like Balochistan.

RECOMMENDATION

This study recommends enhancing Balochistan's tax administration by addressing challenges and adopting best practices.

Building strategic capacity is essential; hiring qualified staff on permanent contracts will enhance knowledge and essential training.

Moving to automated systems will improve efficiency and taxpayer satisfaction.

Governance reforms are vital for trust; reducing political interference through merit-based hiring and accountability frameworks ensures transparency.

Strengthening inter-agency coordination with centralised data sharing will streamline operations.

Upgrading technology to replace outdated systems demands significant IT investments, integrated software, and reliable connectivity. Specifically, include digitizing land records and tax processes across all districts, implementing GIS for property and agricultural tax assessments and creating centralized platforms for taxpayers.

User-friendly digital platforms will facilitate compliance; a phased implementation with staff training will ensure smooth transitions.

Consolidating tax functions under BRA could resolve systemic issues, improve local revenue, and reduce federal dependence. Effective reforms require strong political leadership and a commitment to change, supported by technology and human resources investment.

Gradual implementation with pilot programs will address capacity concerns while ensuring stakeholder engagement.

Fostering taxpayer compliance involves public awareness campaigns to inform taxpayers of their responsibilities and compliance benefits using accessible media.

Simplifying tax procedures and providing transparent reports on tax revenue usage will build trust.

Overall, Balochistan's tax reform offers substantial rewards in fiscal autonomy and public service improvements pursuing.