

Original Article

# Beauty of Taxation

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Participatory Tax Governance  
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**Abstract** - The purpose of writing this paper is to share the success story that resulted in a developing country, Pakistan, regarding boosting the tax revenues through women empowerment. The tax revenue figures of government authority in Pakistan escalated vigorously by adopting effective measures in tax governance. The untapped service sector of Beauty Salons in Pakistan showed an overwhelming taxpayers' response after these Entrepreneurs were educated through conducting awareness workshops for them. The tax revenue collections of the Beauty Salons sector have increased by 330% from Tax Year 2015 to Tax Year 2017, and the number of registered taxpayers has increased by 137% from Tax Year 2015 to Tax Year 2017. Though quite simple, this endeavor has made a remarkable effort for achieving sustainable development through enhanced capacity building of the citizens. This successful venture of conducting awareness workshops for the taxpayers proved to be effective for boosting the revenue of sales tax in the services sector in Pakistan and can be adopted by any other developing country for promising results.

**Keywords** - Sustainable development, Tax Revenues, Boosting, Women Empowerment, Success Story, Beauty of Taxation, Entrepreneurs, Awareness Workshops, Taxpayers, Gender Gap Report, Beauty Salons Entrepreneurs, Good Governance, State Citizens' Dialogue, Impact, Increased Registrations, Invoice Monitoring System, SDGs, Agenda 2030

## I. INTRODUCTION

Pakistan is an enormously diverse, multiethnic, and multicultural society characterized by uneven development and distribution of resources. There are massive inequalities along social strata, regions, religions, gender, and urban-rural manifestations. By international comparison, Pakistan is one of the countries with the highest rate of inequality between males and females. In the 2015 Global Gender Gap Report, the country reached only the penultimate place of 145 evaluated countries, which is a continuous deterioration in recent years.



### A. Women Empowerment by Educating Beauty Salons Entrepreneurs:

At first thought, few would dare to associate taxation with beauty. But the two can be combined as evidenced by the collaboration of one of the Revenue Authorities in Pakistan and the German Development Partner in the Beauty industry in Punjab province.

The Beauty Salon Industry is abundantly spread throughout the province of Punjab, particularly in larger cities like Lahore and Faisalabad. Beauty Salons provide a variety of different services such as haircuts, manicures, pedicures, bridal make-up, and allied services. Beauty Salons are liable to pay the Sales Tax on Services as per the second schedule of the Punjab Sales Tax on Services Act 2012. The more exciting fact is that this sector is dominated by female entrepreneurs, whereas almost all other sectors in Pakistan are dominated by males.

Until recently, the Beauty Salon industry has remained largely untouched by the Revenue Authority. Recognizing the large revenue potential in the sector, it was decided under the German Development Partner's Good Governance Programme in Pakistan to devise a strategy to support the smooth inclusion of this service into the tax net. One of the measures was to organize awareness events for this sector in the cities of Lahore and Faisalabad.

These awareness workshops conducted by the Revenue Authority and German Development Partner brought together important players in the Beauty industry and provided a platform for them to be educated about their obligations to comply with the Sales Tax on Services Act. It also included sessions for Salon owners to learn how to register with the Revenue Authority, file returns, and calculate the correct amount of Sales Tax. Finally, it provided a platform for Salon owners to engage with the Revenue Authority officers (government officers) to ask questions and raise their concerns, thus promoting state-citizens dialogue.



The first workshop took place in Lahore in June 2016. It was attended by a number of eminent female figures in the metropolitan who are also engaged in the Beauty industry. The chief guest was also a female politician, the Honourable Finance Minister of Punjab. It was a taxation workshop where the majority of participants were women, which is indeed a worldwide rarity!

A second workshop took place in Faisalabad in August 2016, where the chief guests were two female members of the Provincial Assembly. The Beauty Salon awareness events generated huge media coverage, as evidenced by the dozens of newspaper articles in addition to TV segments and significant social media buzz.

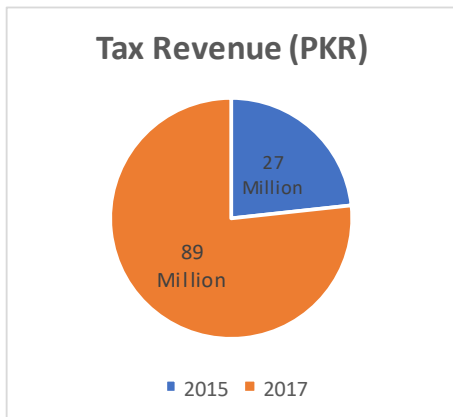
## II. IMPACT OF BEAUTY OF TAXATION

### Impact No. 1:

#### Boosting Tax Revenues:

The comparative analysis of the Beauty Salons Sector regarding tax revenue collections is shown in the table and chart below:

Particular	Before 2016	Until June 2017
Revenue Collection in PKR	27 Million	116 Million



The tax revenue collections have increased by 330% from Tax Year 2015 to Tax Year

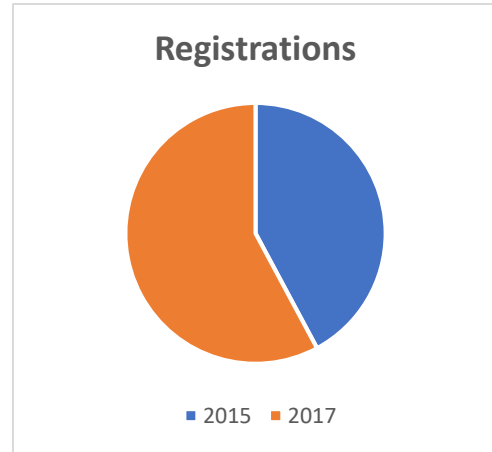
2017.

### Impact No. 2:

#### Increased Registrations:

The comparative analysis of the Beauty Salons Sector regarding registration is shown in the table and chart below:

Particulars	Before 2016	Until June 2017
Number of Registered Taxpayers	129	306



The number of registered taxpayers has increased from Tax Year 2015 to Tax Year 2017 by 137%

### Impact No. 3:

#### 1st Hair & Beauty Salons Association Formed in Pakistan:

As a result of this initiative, the Salons industry has also successfully established its first hair and salon association for taxation, which is set to meet with senior officials of the Revenue Authority on a regular basis serving as the first-ever platform to voice out and resolve their issues directly with the Government Authorities, thus, bridging the gap between the state and citizens.

Recently this association filed a representation before the Revenue Authorities to sympathetically consider the beauty services sector's plea for reducing the rate of sales tax on hair and beauty parlors to around 5 percent. After a series of meetings to figure out a workable option, it was also mutually resolved that the proposed reduction in the sales tax rate would be admissible for only those who opt for an invoice monitoring system which will be installed on their business premises for monitoring the sales invoices on a real-time basis.

### Impact No. 4:

#### Beauty Salons Invoice Monitoring System (BIMS) Developed & Launched:

The Revenue Authority, in collaboration with Punjab Information Technology Board, has also developed a Beauty Salons Invoice Monitoring System (BIMS), which is a web-based monitoring tool enabling real-time capturing and monitoring of invoices issued by the salons to ensure proper declaration of Punjab sales tax on services collected for promoting Sales Tax Compliance in the Beauty Salons industry.

BIMS has been launched by the Revenue Authority in the event "Tax Clinic for Beauty Salons" conducted by German Development Partner in Lahore on September 29, 2017. The chief guest, Finance Minister Punjab, said during her speech that the Revenue Authority had received a good response from beauty salon entrepreneurs who came forward for receiving facilitation and appreciated German Development Partner's innovative measure, which promotes

positive tax culture. She urged women participants to play their responsible role towards taxable income and join 'tax clinic' for diagnosis of their problems and its reform measures. Up till now, 130 female entrepreneurs were trained in our collaborative workshops having remarkable revenue results. Consequently, other provinces of Pakistan also decided to replicate this effective measure in their cities to achieve similar notable results.

#### **Impact No. 5:**

#### ***Implementation of Agenda 2030 through contributing to SDG 5, SDG 10 & SDG 17:***

##### ***SDG 5:***

Women empowerment through educating Beauty Salons Entrepreneurs

##### ***SDG 10:***

Awareness-raising for ensuring participation from all social strata, especially the neglecting one.

##### ***SDG 17:***

Significant increase in the revenues

### **III. CONCLUSION**

Since Beauty Salon operators are mostly female entrepreneurs, therefore, giving consideration to women empowerment makes our work more effective in yielding more sustainable results, specifically in reducing the high rate of gender inequality. This measure has also contributed towards the 'German Development Partner's Gender Strategy' of promoting gender equality and women empowerment through educating female entrepreneurs in particular and fostering a culture of compliance among them.

It's time for people to appreciate the true beauty of taxation!

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