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Ishrat for effective use of CNIC to detect tax evasion

ISLAMABAD: Advisor to the Prime Minister for Institutional Reforms & Austerity Dr Ishrat Hussain said on Monday that the government will have to automate all business processes, simplify laws, eliminate interaction between tax collector and taxpayers and use CNIC (computerized national identity card) to detect tax evasion for creating a better business regulatory environment for investors.

Dr Ishrat Hussain said this while addressing the preliminary event of 22nd sustainable development conference titled 'Sustainable Development in a Digital Society,' here on Monday.

Dr Ishrat said that the Pakistan's doing business (DB) ranking was at 74th number in 2007, which further fell down to 136th in later years; however, it improved by 28 points to 108th from 136th this year. There had been same regulatory environment and same taxation structure for the last many years. However, ranking data tells that it is not only the administration but also how the government administers regulate the system. The key factors are the quality and attitude of the regulatory agency which are responsible for improving ease of doing business in the country, he said.

Dr Ishrat, who is also former Governor of the State Bank of Pakistan (SBP), regretted that all governance related indicators were sliding down during the last 10 years. "We have to create an environment in which the business process re-engineers," he said. Referring to the SBP, he said that IT processes were automated in the SBP with the help of World Bank. "The technology has given us power of real time business information. We will have to automate all business processes, reduce interaction between the tax collector and taxpayer through automation including automation of income tax, customs duty, sales tax and even refunds," he said.

He said that new automated refund system of the FBR i.e. FASTER directly deposits refunds into the bank account of the exporter. In Securities and Exchange Commission of Pakistan (SECP), complete automation and end-to-end solution can be seen during registration of a company with the SECP. The SECP on real time basis can trace the issue of a company which applies for registration. Therefore, other regulatory agencies have to reply in IT tools to ensure speedy business reforms for investors.

He said that there is no consistency and enforcement of reforms from one political regime to another political regime. "Our misfortune is that we have politicized the business reforms," he remarked.

He said that the CNIC can be effectively used to avoid tax evasion in the country. Without human intervention, the artificial intelligence can question the citizen about the mismatching of data like how a person has travelled 5-6 times aboard in business class while declaring only Rs 10,000 in his annual income tax return.

After devolution of powers to provinces, the delivery of basic services should be provided at local level.

World Bank Country Director for Pakistan Illango Patchamuthu said that Pakistan has done significant regulatory reforms during the last 10 years. Pakistan's doing business (DB) ranking improved from 136 to 108 out of 190 countries in the World Bank's Ease of Doing Business Report 2020. However, there is a lot of space and much more needs to be done to improve it further.

He said that Pakistan needs to be placed among top 50 countries in the ranking of ease of doing business. For this purpose, the country should focus on digitization and regulations on modern lines for businesses.

Presently, five tax administrations i.e. FBR and four provincial authorities and board deal with the taxpayers. Referring to general sales tax (GST), he said that the federal government and four provinces have different sales tax filing requirements for the registered taxpayers and service providers.

At present 16 different federal and provincial authorities use 1,500 different regulations for businesses, he said.

He said that Prime Minister Imran Khan has moved forward for federal and provincial support for improving ease of doing business for investors in the country. During the last 2 years, progress has been witnessed in Pakistan. He stressed the need for better business regulations to deal with the issues like manual processes and over-regulations etc. For starting a business, there should be a single-portal for speedy registration of new businesses.

There are still 60-70 regulations which are dated and need to be changed. There are still 28 steps to open a bank account and such issues need to be addressed.

He stated that issues such as opening a bank account, receiving credit, paying taxes, enforcing contracts, etc, are still identified as areas that need to be refined. There is a lack of an efficient taxation process to save time and resources of entrepreneurs and investors. He said tedious procedures bar the entrepreneur's way in successfully trading and reforms are needed to make doing business easier, less costly and time intensive procedure. He said that time required to start a business has been reduced by three days due to present government's efforts, however, some issues need to be refined.

Despite notable increase in activities and players, there are still a number of challenges and gaps that make it difficult for early stage firms to grow and succeed in Pakistan.

He appreciated Pakistan's efforts in bringing improvements to the business climate in the country. He said the accelerated reform agenda has many noteworthy features to improve quality of regulations, reduce time and streamline processes. This momentum needs to be sustained in the coming years for Pakistan to continue to make progress. Executive Director SDPI Dr Abid Qaiyum Suleri said labour market is facing challenge owing to technological change. He said, "We have to train our workers as per the demands of latest technology to achieve sustainable development goals."

He said the trained youth will prove to be beneficial for Pakistan to prepare for the fourth industrial revolution. Suleri said this year's SDC is inspired by the 4th Industrial Revolution (4IR) and an era of digitalization which has changed how human beings interact in the era of rapid revolution in technologies. This conference will look at the era of digital inclusivity as well as digital exclusivity and isolation, of being content creators as well as its consumers, of challenges to some and opportunities and privileges to others. He said in this scenario, the speakers will discuss how to tackle the issues of sustainable development such as social justice, poverty, hunger, health, education, climate change, water, energy, environment, gender equality, trade, economy, commerce, investment, and technology, etc.