

### **Broadening tax base: FBR, Nadra at odds over data analysis**

ISLAMABAD: Differences have emerged between the FBR and Nadra over mechanism of data analysis and authenticity for using it as tool to broaden the tax base

Nadra after getting data from the FBR estimated about tax gap of Rs950 billion on account of short filers and non-filers by conducting its own analysis on the basis of consumption patterns. On the basis of this whopping tax gap of Rs950 billion calculated on flawed basis, the proposal has been floated to offer tax amnesty scheme out of which 90 percent collection of taxes will be given to FBR and 10 percent to Nadra.

A meeting held between FBR and Nadra on Wednesday on creation of mathematical models and data analytics for broadening of tax base. The agenda of the meeting stated that Nadra initiated work on the development of an Enterprise Grade Solution that would facilitate collection of tax from the potential evaders and short filers identified through the tax net broadening exercise conducted by Nadra using advance analytical and regression models. The agenda of the meeting included nine points such as creation of mathematical model and application of data analytics, identification of tax evaders and short filers, profiling of identified assets and expenses patterns on individual basis, developing and hoisting of an exclusive enterprise grade website enabled with secured login, development of payment voucher system and integration with banks, online report sharing with FBR and concerned authorities, real time integration with IRIS FBR to launch solution to developing and launching of exclusive Amnesty Scheme by FBR and the signing of services contract between Nadra and FBR where FBR shall be the owner of exercise and Nadra shall be act as technical implementation agency.

The action has been taken by issuance of Asset Declaration Ordinance 2019. For signing of contract between Nadra and FBR, the FBR chairman desired in house deliberations for a comprehensive plan for automation and integration of data. In background discussions, top official sources said that FBR and Nadra had signed Memorandum of Understanding (MoU) during the tenure of FBR former chairman Muhammad Jehanzeb Khan in which both the departments agreed to join hands for sharing data with the purpose to broaden tax base. The FBR shared its data gathered through different avenues with the Nadra. Now the NADRA on the basis of this data computed its own analysis and presented its findings before the prime minister for doing its own analysis of tax gap and estimated gap standing in the range of Rs950 billion.

Now the FBR opposed this unilateral move of Nadra arguing that the devil lies in details as if someone possessed luxury vehicle it could not be assessed with 100 percent surety that his income is taxable under the existing law because he might have earned the money through agriculture income or he might have received remittances from abroad.

“There might be many scenarios as through computing data by sitting in office no one can estimate the actual tax gap. The tax official can estimate accurately by doing analysis on the basis of each and every case on individual basis,” said the official sources.

Regarding ongoing tax amnesty scheme offered by the FBR, the official sources said that so far over 500 people availed themselves of this amnesty scheme and paid Rs450 million tax into national kitty. On PC's ID there were declaration showing Rs3.5 billion which might avail this scheme. Now the FBR has decided to roll out its information on its own website to lure non-filers to come and avail this ongoing scheme till June 30, 2019. "We expect that non-filers will come forward to avail this scheme after getting online information in possession of FBR that what kind of assets and income they possessed so we are targeting non-filers in big way," said the official.

FBR Chairman Shahbar Zaidi also stated in a statement that the Assets Declaration Scheme 2019 will expire on June 30, 2019. It is reiterated that all persons having un-disclosed and un-declared assets and un-disclosed expenditure are strongly advised to avail the scheme.

In a statement issued here, the FBR stated that during the deliberations on the scheme it has been observed that one of the major apprehensions of the taxpayers relates to the track record of working relationship between the taxpayers and the tax departments. It is admitted that same at present does not comply with international best practices. It is apprehended that the same kind and manner of relationship which is at time undesirable, will continue in future. The purpose of this release is to dispel that apprehension.

In this connection, it is stated that the primary objective of the government is to improve confidence/trust level between the taxpayer and the tax department. For that purpose some steps have already been undertaken which have been duly appreciated by the taxpayers. However, major corrective actions will be taken from July 1, 2019. Tone and purpose (for the same) have been identified in the Finance Bill 2019 and others will be disseminated in the procedures, circulars and the administrative reforms which will be made in the Federal Board of Revenue post-July 1, 2019. The primary theme of these actions is:

- a) Automation of business process
- b) Lack of personal interaction
- c) Minimal possibility of abuse of powers and discretion by the tax authority

In this process the first step being 'Return Filing' and the 'Sales Tax Registration', being automated without any personal intervention/interaction.

In the Finance Bill, 2019 it has been ensured that the functions of 'Audit' which should an exception on risk-based criterion, and not a norm, shall be undertaken by a person different from the persons involved in enforcement. Accordingly, the process of audit and enforcement will be segregated in due course. This is a major redressal

Furthermore detailed explanatory circulars will be issued that there should not be any possibility of abuse of section 122(5A) of the Income Tax Ordinance, 2001 and any other similar provisions in the relevant statutes. It is also being ensured that first appeal stage be completely divorced from enforcement function.

Furthermore, the Government is fully committed to ensure the concept of 'Self Assessment Procedure' in the true spirit and relevant steps are being undertaken to ensure that there is no possibility of harassment of the taxpayers. It is reiterated that the primary objective of the

Government is to create the confidence/trust amongst the honorable taxpayers. It will be ensured that same actions materialize and concrete visible results are apparent.

On the other side, in the past tax efforts of the tax department were concentrated on the 'Information Furnished' by the taxpayers and there was not sufficient/independent 'Data/Information' of the economic transactions undertaken available with the Government. The government is concentrating its efforts to gather relevant information and is trying to further accelerate the process of gathering the data/information of the economic transactions including those being transactions in banking channels, electricity and gas connections, land records and other consumption data relating to expenses on travel, children education etc as recorded in NADRA etc and any other possible means in accordance with the international best practices. In these circumstances it will be difficult, rather impossible, for any person to undertake the economic transactions which remains outside the purview of fiscal/financial system of the country.

In these circumstance it is reiterated that any mis-apprehension about the manner of the operations of FBR in post July 1, 2019 and the availability of data with the Government be dispelled with.

The Assets Declaration Scheme 2019 which is simple to be availed in order to live in a peaceful, comfortable, and a civilized manner for the betterment of Pakistan. It is considered that the context of the aforesaid paragraphs will be considered with respect to the decision for declaration under the Scheme to be made by June 30, 2019, the statement concluded.

Our Correspondent