

PM hints at creating agency parallel to FBR

Prime Minister Imran Khan Tuesday hinted at creation of a parallel revenue collecting agency of the Federal Board of Revenue (FBR) and directed finance minister, state minister for revenue and chairman FBR to immediately work on integration-based information system, tax profiling, data integration for increasing revenue collection and recovery under data warehouse to bridge tax gap.

The issue of parallel revenue agency of FBR was discussed at a meeting on resource mobilization held at PM Secretariat which was attended by Finance Minister Asad Umar, Minister of State for Revenue Hammad Azhar, Special Assistant to Prime Minister on Political Affairs Naeemul Haq, chairman FBR Mohammad Jehanzeb Khan, international tax expert Dr Ikramul Haq, former FBR chairman Abdullah Yusuf, chairman Tax Reforms Commission (TRC) Masud Naqvi, member TRC Ashfaq Tola and member TRC Abid H Shaban and senior FBR officials.

Sources told Business Recorder that Prime Minister Khan expressed displeasure over low revenue collection of FBR. He asked finance minister, state minister for revenue and chairman FBR whether a parallel revenue collecting agency is required or major reforms in the tax administration of the FBR could be introduced.

"I need results as the country cannot run on the current pace of revenue collection of the FBR. The revenue collection data and figures do not support the current economic situation of the country," sources quoted the PM as telling the concerned authorities.

"I will also appeal people of Pakistan to pay their due share of taxes and ensure restoration of confidence of taxpayers on the new and reformed tax collecting agency," sources quoted the PM as saying in the meeting.

The PM further directed FBR to focus all its energy in tax collection in coming days, but there should be no harassment of taxpayers. If FBR wanted to simplify rules and procedures, it should be done but I need results, the PM directed the FBR.

Khan has given one week's time to the participants of the meeting to come up with the concrete proposals for increasing revenue collection and expanding the tax base without creating harassment among the taxpayers.

Different proposals were discussed including an independent enforcement department without FBR or an improved/reformed existing department with honest tax officials. A separate enforcement and recovery department is needed or an independent wing within the FBR, it was examined.

Independent tax experts informed that the creation of the new revenue agency needs to be done gradually and thoughtfully within a reasonable timeframe for transformation.

One of the tax experts present in the meeting suggested that there should be an entire separate tax law for the individuals. There should be a separate tax law for the corporate sector. The proposal was highly appreciated by the PM.

Tax expert also suggested the FBR that the blue print of the immediate reforms would focus on harmonization of tax laws, tax reforms and ease of doing business. The key recommendation of the upcoming ICAP national tax conference was also shared with the PM.

The PM visualized the FBR as an institution which is effectively been able to monitor taxpayers on the basis of complete profiling using data under one roof i.e. data warehouse.

The tax agency must have the capability to detect under-reporting and non-reporting of taxes on the basis of an authentic data based on complete profiling of taxpayers.

The PM was very optimistic that the integrated based information system would enable the tax collecting agency to confront the taxpayers on genuine and authentic information which is irrefutable.

The PM further directed FBR to immediately plug in revenue leakages in the remaining three months of current fiscal year to ensure increase in revenue collection. Tax gaps needs to be filled without any further delay with the help of technology, sources quoted the PM as directing the FBR.

The PM directed FBR to use Information Technology as an effective tool for seeking best results for narrowing down gap between the tax potential and actual tax collected by the FBR.

According to sources, the prime minister referred to the complaints of investors and taxpayers against the FBR and directed tax authorities to introduce fundamental reforms in tax administration through simplification and automation to end discriminatory powers of tax officials.

He directed the economic managers that due amount of tax should be collected on the basis of different kinds of third party information available under one roof on the basis of technology. In the presence of massive revenue shortfall in 2018-19, the question has been raised that if the existing FBR cannot improve revenue collection and end harassment among the taxpayers, the government should start thinking about the parallel revenue collecting agency in Pakistan.

The enforcement agency of the FBR should be totally automated and independent without causing any harassment to the taxpayers. Total profiling of the taxpayers is needed to confront them for recovery of due amount of taxes. This requires placement of all kinds of data at one place.

Sources quoted PM as directing FBR that there should be enforcement to collect due amount of taxes, but there should not be any kind of harassment. The capacity and integrity issues within the tax machinery should also be resolved on top priority basis.

Experts in the meeting suggested to PM that all the relevant data including assets, properties, traveling, motor vehicles, banks and other third party information must be available under data warehouse.

The income and expenditures of the taxpayers would be worked out on the basis of this integrated data. The whole process of issuance of electronic notices, assessment of taxes and recovery should be automated backed by authentic data.

The scattered data must be consolidated at one place ie data warehouse. The complete action be started from the available information of the data warehouse and end with the recovery of due amount of taxes under the same automated system, they suggested.

The visualized system would operate from one central point and it would be so credible that the collection and recovery would be carried out on the basis of automated information.

Experts further informed the PM that a viable system would enable the FBR to collect taxes through automation so that nobody could raise question on the credibility and authenticity of the information.

During the meeting Chairman Nadra displayed some cases of profiling of taxpayers based in information available with the Nadra. The test cases have been referred to the FBR for further necessary action and profiling of the identified individuals.