

Editorial

### **FBR reforms**

The Federal Board of Revenue (FBR) deserves some comments mainly for two reasons. One, the pending reforms within the FBR structure; and two, the revelation by senior FBR officials about tax evasions amounting to as much as Rs100 billion in just the first four months of this fiscal year. FBR Chairman Syed Shabbar Zaidi has announced that the timeline for the proposed reforms – or ‘reorganization’ as it is sometimes called – has been put on hold. Readers may recall that in October the prime minister had proposed some major reforms in the FBR and had also given respective timelines for each set of reforms. The establishment of the Pakistan Revenue Authority was proposed to be done by June 30, 2020; and a reorganization of the FBR headquarters was supposed to be completed by the end of this month.

Some other reforms proposed by the PM included the administrative and functional restructuring of Large Taxpayers Units (LTUs) to be done by December 2019; and collection of sales tax on services by the FBR should have been completed by the end of October this year. With a set of more than half a dozen major reforms, the timeline seemed unrealistic from the beginning. Some of these reforms are required to streamline the tax collection and to progress on the front of financial documentation. But the groundwork needed for such major steps appears to be missing; neither has there been adequate debate and discussion to take on board the various stakeholders involved in these processes. Even some senior officials within the FBR are reported to have raised concerns about the establishment of a new revenue authority. What the FBR needs at the moment is a thorough review of its functions; and any recommendations for major reforms should be initiated after a threadbare process of consultations, with ample time to materialize them.

The second cause of concern is the announcement by senior tax officials that the country’s corporate sector has been involved in nearly Rs100 billion of tax evasion and avoidance during the last four months. The biggest revenue collection arm of the FBR is the LTU in Karachi, which claims to have unearthed this tax fraud and a press conference was deemed appropriate to make this announcement. Though no company names have been revealed, the revenue commissioners highlighted this as a major achievement of the LTU. One wonders, how the words ‘avoidance’, ‘evasion’, and ‘fraud’ were bandied about without careful consideration of the meaning of these terms. Karachi, being the largest contributor to the national exchequer, should be treated more carefully. Of course, the government does not need another controversy at this stage.