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Draft authority law seeks repeal of FBR law

ISLAMABAD: The draft Federal Revenue Authority Act 2020 has proposed to reconstitute Federal Board of Revenue (FBR) into Federal Revenue Authority (FRA) to make it a service-oriented organization, with job protection to existing employees, and greater autonomy and powers for implementing tax reforms, combating corruption and accountability of tax officials.

Sources told Business Recorder here on Monday that the draft Federal Revenue Authority Act 2020 has proposed to repeal the Federal Board of Revenue Act of 2007. Federal Revenue Authority shall consist of a chairman and three deputy chairmen (BS-22 or a professional) to be appointed by the federal government with one deputy chairman from Pakistan Customs Service, one from Inland Revenue Service and one would be either from officers of IRS or PCS or a professional for support function to the Authority.

Under the databank to be maintained by the FRA, it would have ample powers to seek data from banks/stock exchange for broadening the tax base.

The federal government may establish a Revenue Advisory Council to provide guidance in matters relating to the vision, mission and values of the Authority, and to provide fiscal policy in achieving goals and targets. The Advisory Council shall be headed by minister for finance and its members would be minister for commerce, minister for industries, minister of textile industries, minister for privatization, chairman Senate standing committee on finance and revenues, chairman National Assembly standing committee on finance, one member from the Senate to be nominated by chairman Senate and one member from the National Assembly to be nominated by speaker National Assembly, chairman FRA and such other members as the Prime Minister shall nominate having necessary qualifications, experience and expertise from amongst sectoral specialists and business on honorary basis.

One of the key objectives to create FRA is to reorganize the Federal Board of Revenue to enhance the scope of its activities and operations and to have appropriate autonomy and reconstituting the FBR as the Federal Revenue Authority.

The proposed FRA would ensure appropriate measures including internal controls to combat corruption within the organizations and provide checks to ensure the integrity of employees that is verified periodically through applicable procedure which shall be made one of the criteria for promotion and incentives. The PRA would introduce and maintain a system of accountability of performance, competence and conduct of the employees.

The Authority shall exercise all the powers and functions as were exercisable by Federal Board of Revenue under the Federal Board of Revenue Act, 2007 and all other powers and functions conferred on it under section 4.

The draft Federal Revenue Authority Act 2020 has proposed a separate section for continuation of service of the employees, etc, of the FBR after the reconstitution of the Federal Revenue Authority. Any person who immediately before the commencement of the Act was in the employment and service of FBR, its field offices, organizations and attached departments, and officers of Pakistan Customs Service and Inland Revenue Service employed shall continue to be in the employment and service of the Federal Revenue Authority, its field offices, organizations and attached departments, on the same terms and conditions as were or are applicable to him as an employee of the FBR unless modified or amended under the provisions of this Act or the rules or regulations made thereunder.

All the authorities and officers of the FBR exercising functions immediately before commencement of this Act shall continue to exercise their respective powers, policies, programs, reforms, projects, functions and processes, etc, as were being carried out or proposed to be carried out unless modified under the provisions of the Act or rules and regulations made thereunder, the draft FRA Act said.

The powers of the PRA in respect of its employees shall include power to formulate and implement the human resource policy; power to assess, identify, create, decrease and reduce or designate or re-designate posts and prepare/execute the internal job posting regime in accordance with the rules; power to lay down qualifications and criteria for the posting of employees against specialized or available posts; and power to implement a transparent evaluation process to assess if the official is qualified for posting against a specialized or available post.

The Federal Revenue Authority shall create and maintain a databank containing information from third parties and such data shall be used for increasing the taxpayers' base and to ensure accuracy of information submitted by existing taxpayers and for the financial analysis leading to proper economic assessments, audits, detection of tax evasion and policy decisions as may be necessary. The data shall be used further to evaluate the performance of the employees.

The Authority shall have power to share its data and obtain data from the databases maintained by the federal government or a provincial government or any of its statutory body, law enforcement entity or utility companies, stock exchanges, State Bank of Pakistan, banks, financial institutions, trade bodies and any other organization.

Under the Federal Revenue Authority Act 2020, it is desirable to enhance the capacity of the tax system to collect due taxes through application of modern techniques, providing assistance to taxpayers and creating a motivated, satisfied, dedicated and competent professional workforce that is required to perform at enhanced efficiency levels.

The Federal Revenue Authority must pursue its objective and vision to be a modern, progressive, effective, autonomous and credible organization by providing quality services and promoting compliance with tax-related laws, while being mindful of upholding values such as integrity, professionalism, teamwork, courtesy, fairness, transparency and responsiveness.

It is expedient to regulate the matters relating to the fiscal, tariff and economic policies, administration and management, and imposition, levy and collection of taxes and duties, according to draft law.

The powers and functions of the Authority reveal that the Authority shall exercise powers and perform all such functions that are necessary to implement the tax administration reforms; promote voluntary tax compliance and to make the Authority a service-oriented organization; and to implement comprehensive policies and programs for the education and facilitation of taxpayers, stakeholders and employees, etc, in order to develop the authority into a modern efficient organization.

The powers and functions of the Authority are to adopt modern effective tax administration methods, information technology systems and policies in order to consolidate assessments, improve processes, register taxpayers, widen the tax base, and make departmental remedies more efficient including enforcement of, or reduction or remission in, duty, penalty or tax with the relevant law for the time being in force.

Under the draft Federal Revenue Authority Act, the Federal Government shall allocate to Authority a budgetary outlay of a minimum one percent of the revenue collected in the preceding financial year.

The federal government may, from time to time, direct or advise the Authority to conduct its affairs and perform its functions in such manner as may be specified by the federal government in this behalf. The federal government may also entrust the Authority the functions and powers under any law for the time being in force and such directions shall be binding on the Authority, it added.