

Editorial

**CNIC and taxes**

THE government gave an important concession to the trader community on Friday, while simultaneously telling all industrial and commercial consumers of power and gas connections to get themselves registered for income tax by Oct 15. Presumably, there will be tough action after that date, though the FBR chairman, who made the announcement, did not specify what steps are being contemplated. For the trader community, the government relaxed a part of its documentation requirements, telling the traders that all CNICs submitted for tax purposes would be `deemed to have been reported in good faith by the supplier`. This means that if the supplier has provided an incorrect CNIC, the action will not be a punishable offence. This was an important sticking point in the ongoing documentation drive, since manufacturers and suppliers of goods say they have no way of knowing whether the CNIC shown to them by the buyer belongs to a third party or not. Without this knowledge, they cannot complete the transaction under the existing rules, and supply chains of industry along with distribution networks have suffered enormous disruption. But another important condition remains in place, which is the one that requires all payments to be made into a bank account that is in the name of the person whose CNIC has been submitted for tax purposes.

Clearly, an aggressive game of give-and-take between the government and the business community is now in full swing, particularly where the traders, who are at the heart of the documentation drive, are concerned. Those unregistered manufacturers who have been availing industrial or commercial category utility rates but have not registered for tax purposes now face `an aggressive campaign` from Oct 15 onwards, as per the announcement of the FBR, and traders have been offered a carrot in the withdrawal of the punishable offence clause in the Sales Tax Act. This is smart policy handling and the FBR deserves its round of credit for structuring its efforts in this manner. But the struggle ahead is a particularly difficult one, and pressure to relax conditions will mount further. The government must decide clearly how far it is committed to this course of action, and then stick to it. Going down this path, which will bring its fair share of confrontation, and then relenting under pressure, does more harm than good when it comes to the admirable goal of documentation.