BUSINESS RECORDER
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EDITORIAL

FBR deserves some praise

In a briefing to the Prime Minister, Chairman Federal Board of Revenue, Shabbar Zaidi, presented a very optimistic picture about the measures taken by the FBR and tax collections during the first two months of the current fiscal year. The PM was informed that 28 percent growth in tax collections was recorded during July-August, 2019 whereas 5.7 percent contraction was witnessed in customs duty. The FBR collected Rs 579.4 billion during this period as against Rs 505.8 billion in July-August, 2018, showing a growth of Rs 73.6 billion or 14.6 percent. The number of filers increased from 1.5 million in Tax Year 2017 to 2.5 million in Tax Year, 2018 and pending refunds of Rs 15 billion were paid to exporters and the remaining Rs 17 billion would be paid by the end of the current month. As for the policies, there was an ongoing exercise of verification of import documents of outlet sale of imported items across the country to check smuggling. Tax registration, issuance of tax certificates and filing of tax returns is being automated. The web portal has been made operational with the help of Nadra so that one can have access to all the financial information provided by various departments to the FBR at one site. To facilitate the taxpayers, a website viz. "Tax Asan" is being introduced. On the trade side, the Premier was informed that scanners have been set up at various customs stations through an export facilitation scheme and measures are being taken to stop smuggling of mobile phone sets by providing online phone registration system. The currency registration system was also made operational at all the major airports to facilitate passengers in declaring currency.

The report by the Chairman, FBR, to the Prime Minister seems impressive and is a clear indication of the hard work undertaken by the tax collecting authority in recent months. However, no mention has been made of the reaction of the PM to the report but this may be due to his indifference or the lack of some visible improvements or the weaknesses which needed to be commented upon. Anyhow, the fiscal developments during the first two months of FY20 could be compared somewhat favourably with the corresponding period of last year, both in terms of tax collections and policy initiatives. A substantial increase in tax collections was of course not an easy job when tax collections during the previous year were almost stagnant and customs duty collections had decreased substantially due to compression in imports. It is also well known that the FBR has undertaken a number of initiatives to broad base the tax system, document the economy and apprehend the tax evaders. The efforts of the FBR may be gauged from the fact that the number of tax filers increased from 1.5 million to 2.5 million in a single year. Verification of import documents has also been initiated to check smuggling and encourage the import of items through legal channels. This will increase the government revenue and save foreign exchange of the country through a meaningful reduction in imports. The automation of filing of tax returns and issuance of tax receipts would decrease direct contact between the income tax filers and the tax machinery and reduce the chances of corruption. The settlement of refund claims in time is meant to redress complaints of the business community and improve their liquidity position to facilitate productive activity in the economy.

While the achievements of the FBR seem to have been highlighted, the shortcomings or failures appear to have been ignored in the briefing. Tax collections of Rs 579.4 billion during July-August, 2019 are almost Rs 64 billion lower than the target of Rs 643.6 billion. If the expenditures on debt servicing and defence continue to be high as usual, fiscal deficit of the country would be higher and Pakistan could miss the primary deficit target of 0.6 percent of GDP agreed with the Fund for FY20. The missing of this target would undermine the credibility of the country in the international circles and could even result in the discontinuation of the existing EFF programme with the Fund. However, we appreciate other initiatives of the FBR but the FBR should have told the PM that these measures would take some time to yield the desired results and restore the confidence of the business community which has been badly shaken after the announcement of the budget for 2019-20.