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Editorial

CNIC condition

THE FBR has finally put into effect a key budget proposal that aims to raise taxes. After delaying its implementation, it has started monitoring some transactions across the supply chains to the retail stage. Now every purchaser will have to produce his or her CNIC in order to make a purchase of Rs50,000 and above. The idea is to document the economy and curb informal or off-the-book transactions to meet tax targets under the $6bn IMF bailout package, as well as comply with FATF standards. In this way, the government hopes to gather additional data on traders and big spenders, and bring tax evaders into the tax net. Indeed, this will go a long way in recording informal domestic commerce. Since many in the trading community could find a way to dodge the taxman, the FBR needs to stay vigilant.

There still remains a question mark over the FBR's intention and ability to use the data it hopes to collect. The FBR has been claiming for years that it is in possession of reliable data regarding more than 3.5m wealthy individuals who own expensive luxury cars, palatial houses and businesses, and who frequently travel abroad but do not pay income tax or file their returns. However, it has made little effort to tax them. How the new data will help widen the tax base remains unclear. On the other hand, fears abound that the scheme may be used to harass honest taxpayers who are required to produce their CNICs on purchases involving such amounts. It is also unclear if shoppers will need to hand in photo copies of their cards or produce the card itself at the cash counter. Moreover, the authorities will be required to ensure that the CNIC copies are not misused. While documentation measures are necessary to compel evaders to pay their due share, a campaign to create public awareness about the move can help bridge the trust deficit — the main reason why people and businesses avoid the tax system — between the FBR and Pakistani citizens.