

FBR eyes Rs4trln debt market for new taxpayers

KARACHI: The Federal Board of Revenue (FBR) is eyeing about Rs4 trillion debt markets of national saving schemes and prize bonds for generation of tax revenue and bringing more persons into the tax net, sources said on Monday.

The national debt market of saving schemes and prize bonds has increased to Rs3.99 trillion up to November 2019, according to the latest data released by the State Bank of Pakistan (SBP).

The FBR sources said that most of the money invested in the saving schemes and prize bonds was undocumented. The government has started documentation of bearer instruments in saving certificates and prize bonds in order to document the economy.

The government, through a notification on June 24, 2019, withdrew the Rs40,000 denomination national prize bonds. The holders of these prize bonds were given three options to exchange the bonds i.e. conversion of premium prize bonds, replacement with special saving certificate/defence saving certificates, or encashment at face value (transfer of proceeds to the bond-holder's bank account).

The FBR sources said the holders of bearer holders would file their income tax returns for tax year 2020 and explain the sources for investment. Further, in case of all those amounts transferred to bank accounts or national savings schemes where deduction of withholding tax is applicable, the FBR will get statements of such transactions in the current month.

Recently, through an agreement commercial banks have agreed to provide details of financial transactions, including cash withdrawal and deposits to the FBR. Furthermore, the banks also withdrew their petitions from a higher court, which was filed to restrain FBR in obtaining the information.

Of total debt market, the contribution of bearer prize bonds is around Rs720.57 billion by end of November 2019. The amount invested in bearer bonds was reduced when compared with Rs909.7 billion as of November 2018. The significant decline of investment in bearer bonds was mainly due to withdrawal of Rs40,000 denomination unregistered prize bonds.

The holders of such prize bonds have been asked to replace by March 30, 2020. The investment in Rs40,000 prize bonds was increased to Rs258 billion by May 2019 and till November 2019, around Rs238 billion has been converted and become part of documented economy. The FBR sources said the government's derive to document the all the investment of national saving schemes and prize bonds would help the FBR in identifying people having undisclosed money. The ministry of finance last month issued draft rules for documenting the investments for prevention of money laundering and terror financing.

Under this drive, the Central Directorate of National Saving (CDNS) will conduct customers' due diligence (CDD) and know your customers (KYC) of all the existing and new customers of national saving schemes. The requirement of CDD and KYC is entire information of customers to be submitted to the CDNS. Explaining source of earnings would also be part of mandatory information. At present, the investment in saving accounts of CDNS is around Rs826 billion. Further, the investment in saving certificates is around Rs2.42 trillion.