

FBR keeps tax refunds secret

ISLAMABAD: A parliamentary panel on Wednesday interrogated the Federal Board of Revenue (FBR) for its reluctance to disclose the exact quantum of tax refunds, estimated at around Rs600 billion, as the issue of favouring a few in giving refunds landed in the National Assembly.

The FBR had a bad day in a meeting of the National Assembly Standing Committee on Finance, where it could not defend the unanswered longstanding question, "How much FBR owes taxpayers"?

"The stock of refunds is a dicey figure and it is difficult to exactly tell what the actual number is," said Dr Mohammad Ashfaq Ahmad, Member Inland Revenue Operations of the FBR. But his answer triggered more flurry questions from the committee members.

The remarks made by Pakistan Peoples Party (PPP) MNA Hina Rabbani Khar reflected the frustration and anger of both the parliamentarians and taxpayers.

"The job of parliamentarians has been restricted to raising points and no one is now bothered to give us right answers," said Khar.

For the past one year, the finance adviser had been refusing to show up in committee meetings and "we are running the business as usual", she added.

"It is humiliating that you do not know the quantum of refunds, which may be close to Rs600 billion," said Khar.

"The country will sink one day if you keep running the FBR in such a callous and unprofessional manner," remarked Khar, who had served as deputy economic minister and federal minister for foreign affairs.

Shaza Fatima Khawaja, who is a member of the National Assembly on reserved seat from the Pakistan Muslim League-Nawaz (PML-N), also submitted a question in the National Assembly on Wednesday, seeking details of Rs16 billion worth of refunds that former FBR chairman Shabbar Zaidi allegedly ordered to release by favouring a few companies.

"Whether it is a fact that the former FBR chairman during his tenure from May 2019 to April 2020 favoured the following companies by paying out-of-turn huge income tax refunds of more than Rs16 billion during fiscal year 2019-20," according to the starred question submitted in the NA Secretariat.

Khawaja also questioned about these companies being private clients of former FBR chairman and regarding FBR not giving reply to this question raised by the NA sub-committee on finance.

During the standing committee meeting, Pakistan Tehreek-e-Insaf (PTI) MNA Dr Ramesh Kumar once again raised the issue of paying billions of rupees in refunds to some big companies allegedly in return for kickbacks.

Committee Chairman Faizullah Kamoka directed the FBR to bring all details of outstanding refunds and out-of-turn payments made to a few companies on Thursday.

"Surely, the tax collection agency saying that it does not know the stock of refunds reflects its poor performance," said Dr Ayesha Pasha of the PML-N.

"We have not been paying full refunds for the past 10 to 15 years, which has resulted in an increase in the stock of refunds," admitted Ahmad.

Just like the Rs2.1 trillion in circular debt in the energy sector, the unpaid tax refunds have become another headache for the government, which now require an external audit to determine the exact quantum.

The outstanding income tax refund claims from 2014 to end-March 2020 stood at Rs348 billion, according to the FBR's data.

The FBR record showed that Rs348 billion worth of income tax refund claims remained outstanding in nearly 110,000 cases since 2014 when people started filing claims electronically. The amount due before 2014 has not been included in the Rs348-billion figure.

Sales tax refunds amount to around Rs150 billion despite clearance of about Rs95 billion worth of refunds in the last fiscal year.

During the last fiscal year, the FBR had collected Rs3.99 trillion in taxes and an estimated Rs600 billion in refunds were equal to 15.4% of the total collection. This means the FBR's collection is overstated by 15.4%.

The government paid Rs174.8 billion in refunds in the previous fiscal year against Rs119.6 billion in fiscal year 2018-19, said Dr Ashfaq Ahmad. These included Rs67.7 billion in income tax refunds, which were 18% less than the previous year.

Sales tax refunds in the previous fiscal year amounted to Rs95.1 billion, including Rs74.5 billion through the FASTER system. In fiscal year 2018-19, Rs21 billion worth of sales tax refunds had been issued because at that time the government had not withdrawn the zero-rating facility for the exporters.

Customs duty refunds stood at Rs12 billion, down from Rs15.5 billion in the preceding year.

The government had also issued Rs100 billion in supplementary grant to pay the refunds, which was tantamount to inflating revenues as refunds could not be paid from the budget.

"Giving supplementary grant for paying refunds is a joke and how can people's own money be described as the PM economic relief package," remarked Khar.

The committee has been receiving requests from the taxpayers who are asking for intervention to get their refunds released from fiscal year 2012-13, said Faizullah Kamoka.

PML-N's Ali Pervez asked the revenue board to give details of the textile sector refunds including the pendency and rejection of claims and details of Form-H - a document that the exporter has to fill to show its inventory and utilisation of inputs.

He urged the FBR to tell the names of those officials who had claimed that the size of the domestic textile market was equal to \$12 billion that eventually became a reason for the imposition of 17% sales tax from July last year.

The standing committee chairman recommended the government to allow Javed Ghani to continue to work as FBR chairman while showing disappointment over frequent changes at the top level in the FBR.