

## **Tax refund claims balloon to Rs710b**

ISLAMABAD: The government on Wednesday disclosed that the outstanding tax refund claims swelled to a record Rs710 billion amid dissatisfaction among parliament members over a lack of substance in the reforms agenda for the Federal Board of Revenue (FBR).

The Rs710 billion tax refund claims till June this year were nearly 23% or Rs132 billion higher than the earlier figures discussed in a closed-door meeting hardly three weeks ago. The FBR also showed its inability to release these refunds from its revenue collection and sought a supplementary grant to clear the backlog.

The National Assembly Standing Committee on Finance took a detailed briefing from Prime Minister's Adviser on Institutional Reforms Dr Ishrat Husain over the FBR's reform process. Headed by Pakistan Tehreek-e-Insaf (PTI) MNA Faizullah Kamoka, the committee also took stock of the tax refunds and pilferages in Afghan transit trade as well as the monopoly of one company over tracking of Afghan containers.

The committee directed the FBR to investigate the alleged wrongdoing in the Afghan transit trade tracking contract, warning that it could refer the matter to the Federal Investigation Agency. Committee members objected to the "monopoly of one company and the exorbitant fee of Rs6,700 per container that it was charging".

The treasury members-dominated standing committee termed the FBR reforms agenda "more of a talk than having substance".

Prime Minister Imran Khan had won the 2018 elections on the promise of introducing institutional reforms, ending corruption and recovering looted money. During the last over two years, he on numerous occasions has talked about reforms in the FBR.

## **FBR reforms**

"I had been assigned the job of reforming the FBR six months ago," Ishrat Husain told the standing committee. At that time, there was no clarity about the reforms process and various organisations were doing different things, he said.

"Without fixing the tax system, Pakistan's dependence on IMF will keep on increasing," said Husain. "If there is one bipartisan issue, it is the FBR reforms where all the political parties have to come together."

Automation and digitisation would improve transparency and end interaction between taxmen and taxpayers, said Husain while spelling out his reform agenda. There was also a need to simplify the tax laws, codes, procedures and rules and the current tax-related documentation was so complex that hardly a few people could claim to know it, he said.

"The FBR does not enjoy a good reputation because of a few black sheep in the organisation - we want to weed them out."

Sources said at present posts of two key members in the FBR headquarters had been occupied by people who had serious reputation issues. But they enjoyed the backing of people who were either in the government or were very close to the government functionaries, they said.

The FBR has become too big; too many members are in the headquarters, powers are concentrated in the headquarters and there is too much centralisation, said Husain while vowing to decentralise some of these powers to field formations.

The FBR's performance would not only be judged from its tax collection but also the inclusion of new taxpayers and additional taxes collected from them would be the benchmarks, said the adviser. "The number of income tax return filers has increased but average taxes being paid by them have decreased," he said.

"There are many promises but there is no timeframe for their implementation," said Dr Ayesha Ghaus Pasha, former Punjab finance minister and a member of the standing committee. She said the framework seemed good but the system did not have absorption capacity.

Despite tall claims of reforms, the tax collection was negative compared with two years ago, she said. There was nothing new in the reforms agenda as all such issues had also been flagged in the past but no progress was made, said Pasha.

"(Dr Husain) your talk seems good but where is the roadmap," questioned PTI MNA Dr Ramesh Kumar. Other members of the PTI also questioned the reforms process.

There was a need to have a concrete roadmap for increasing the tax-to-GDP ratio, which had gone down instead of increasing in recent years, said Ali Pervez of the Pakistan Muslim League-Nawaz (PML-N). The imbalance between direct and indirect taxes had further worsened, he added. A game of musical chairs had been going on in the FBR and there was no security of tenure of the chairperson and members, he said.

## **Tax refunds**

In his second comprehensive briefing to the standing committee on tax refunds, Dr Mohammad Ashfaq, Member Inland Revenue Operations, disclosed that the quantum of income tax and sales tax refund claims had surged to Rs710 billion as of June this year.

Sales tax refund claims were shown at Rs142 billion while the income tax refund claims were a whopping Rs568 billion. "The state owes Rs710 billion to its citizens," said Ashfaq. The FBR's tax collection by the end of last fiscal year was Rs3.998 trillion and after excluding Rs710 billion, the collection would fall to Rs3.288 trillion or just 7.9% of gross domestic product (GDP).

Ashfaq said past refund claims should be paid by the Ministry of Finance through supplementary grants as the FBR could not adjust these amounts against its current revenue collection. Notionally, these refunds have been transferred to the Ministry of Finance on June 30 of each year when the FBR gave its annual collection to the government, said the member operations.

Ashfaq said the FBR had fully automated its sales tax refund payment system with no human intervention.