

'Supra-national' law needed to bypass privacy protection: FBR

ISLAMABAD: The Federal Board of Revenue (FBR) has proposed that a supra-national law is required to bypass the privacy protection available to the information of citizens, for utilising third-party data of Pakistanis, for carrying out data analysis, for detecting tax evasion and broadening the tax base by the National Database and Registration Authority (Nadra).

Sources told Business Recorder Monday that the need for such a national law was discussed during the last meeting held at the FBR House on the Tax Evasion Model (TEM) developed by the Nadra.

The meeting was convened by the FBR for the Nadra's presentation on TEM developed by the Nadra, "Creation of mathematical models and results of data analytics for broadening the tax base."

The FBR has informed the Nadra that a supra-national law may be required to bypass privacy protection available to citizens in other laws.

Such a national law would ensure to avoid litigation, when data of citizens is being used by the Nadra for data analysis, for detecting tax evasion and broadening the tax base.

The Nadra has already asked the tax authorities to provide third-party data including property/land data, vehicles/utilities' information, telecom, banks/stock market data, etc, for analysis/working out tax liability of tax evaders/short-filers.

According to the sources, the Nadra's team presented the statistical model based on data variables indicating citizen's consumption behaviour in order to ascertain his income and assets.

The main variables deployed in the model were the Nadra's executive services, vehicles, utilities, the PTA data, traveling history, arms licenses, and property purchases.

The model was deployed to 119 million CNIC holders of the country, and the results were divided into four different income categories, and the estimated amount of tax the constituents in each category should pay, sources said.

The FBR had informed the Nadra that the system needed to be further improved.

The Nadra system needs to adapt to the federal tax laws of the country.

The FBR has further advised the Nadra that the Nadra should simultaneously involve its legal department to comment on the legal aspects of third-party data utilisation in the model.

"A supra national law may be required to bypass privacy protection enumerated in other laws in force for the time being in the country. There are conflicting provisions in various laws. In order to avoid litigation from all stakeholders, earnest effort must be made to secure it from possible disruption," the FBR informed the Nadra.

Sources said that the meeting also decided that both organisations should develop an acceptable version of the model before unnerving executive regarding changes required in the laws.

It has also been decided that both the FBR and the Nadra will constitute teams, which will work together to study, evaluate, improve the model and explore possibility of testing the model with sample cases as POC.

According to the sources, the Nadra officials had met the tax authorities to have access to the third-party data maintained by the FBR for the purpose of creation of mathematical models, data analytics and determining the predictive tax liability of tax evaders and short-filers with the help of Artificial Intelligence (AI).

The Nadra has sought data from the FBR including travelers' data, telecom data, property/utility data, credit card information, banks data, vehicles data and other data such as land records etc.

These data are available with the FBR's third-party information maintained in the FBR's own databases.

Sources pointed out that the FBR was checking the legal position whether the tax authorities were legally permitted and authorised to provide all the said data to the Nadra under the relevant provisions of the Income Tax Ordinance, 2001.