

Govt mulls options to expand tax net

ISLAMABAD: As the Federal Board of Revenue (FBR) fails to expand a narrow tax base, the government on Thursday considered creating a new legal arrangement to bring more people in the tax net.

The proposal to carve a new legal structure was discussed during a meeting of the FBR policy board, chaired by Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh.

Like its predecessor, the Pakistan Tehreek-e-Insaf (PTI) government has struggled to expand the tax base and its promise of recovering billions of dollars presumably stashed abroad has also remained unfulfilled.

For the last many months, there has been no permanent director general of international taxes and the information received from abroad about offshore wealth also remains underutilised.

The government set up a committee to review the possibility of integration of data in possession of various departments and use it for the purpose of expansion of tax base.

The finance adviser created a sub-group of members to point out and address the difficulties hindering the progress on data sharing between the two organisations, according to a statement issued by the Ministry of Finance after the meeting.

The sub-group will comprise Minister for Industries Hammad Azhar, Adviser to Prime Minister on Institutional Reforms Dr Ishrat Husain, National Assembly Standing Committee on Finance Chairman Faizullah Kamoka, FBR chairman and National Database and Registration Authority (NADRA) chairman, stated the finance ministry. The sub-group would share its report with the chairman in a week, it added.

The government was considering having a separate administrative and legal structure to integrate data of the FBR and NADRA, and pick potential taxpayers on the basis of their consumption pattern. This special structure will then look after new taxpayers for some period of time.

However, past attempts to use NADRA data for expanding the tax base have remained unfruitful as there has always been opposition from within the FBR. There is also question mark over the practicality of NADRA data.

The finance adviser stressed the need for establishing a link between NADRA and FBR for data sharing and data analytics, according to the finance ministry.

The FBR has been struggling to expand the tax base and it has also abandoned the process of bringing new taxpayers in the tax net through the Directorate General of Broadening of Tax Base (BTB).

There were 2.5 million income tax return filers in tax year 2018 but two-thirds of them declared less than Rs500,000 in annual income and their tax contribution was negligible.

Prime Minister Imran Khan had vowed to reform the FBR but nothing is moving in the right direction. Corrupt people are posted on key posts and inquiries against them remain incomplete.

The Express Tribune had reported about Rs1 Refund Payment Order (RPO) scam a few days ago. The FBR promised to take the matter to a logical end. But progress remains slow.

The newspaper had also highlighted the Federal Tax Ombudsman's orders to move against FBR's member Inland Revenue Policy. A fact-finding inquiry ordered almost a month ago remains incomplete till today.

Due to these administrative and reputational issues, people who are already in the tax net are suffering badly.

The FBR claims that it is now processing exporters' refund claims within 72 hours. But the exporters argue that they are paying up to 2% of the value of refund in bribe to get their RPOs processed.

Last month, Shaikh announced the setting up of a technical committee to address refund issues and a grievance cell at the FBR. But the FBR has not complied with the orders and both the tasks remain unfinished.

Shaikh asked Acting FBR Chairman Javed Ghani to appear before him and explain reasons for the delay in implementing his orders.

PRAL CEO confusion

The finance ministry statement also said that the government had appointed a new chief executive officer of Pakistan Revenue Automation Limited (PRAL) - the IT backbone of the FBR.

"Syed Javed (Chairman PRAL board) shared his recommendations on PRAL and said PRAL CEO has been appointed," according to the statement.

However, sources said the process of appointment of PRAL CEO was still incomplete. When contacted, Javed said interviews of three shortlisted candidates were finalised and the top ranking person "has been offered the job". He declined to disclose the name.

When his attention was drawn towards the finance ministry handout, he replied, "I do not care what is written in the press release".

Gohar Marwat, NADRA General Manager, was among the shortlisted candidates.

The adviser took special notice of the difficulties traders were facing due to the stoppage of containers at the Torkham border. Member customs informed the meeting that necessary steps had been taken and the issue would be resolved within the coming weeks.