

Third-party data, Senior taxmen raise questions over Nadra's proposal

ISLAMABAD: Senior tax officials of the Federal Board of Revenue (FBR) have raised different questions over the legality of the National Database and Registration Authority's proposal for seeking third-party data from the FBR, legal status for determining tax liability of non-filers using the FBR database and projected annual revenue.

Sources told Business Recorder Saturday that the questions were raised by the FBR team of tax officials during the last meeting held at the FBR House on the Tax Evasion Model (TEM) developed by the Nadra.

In the recent past, this 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".

Sources said that the Nadra officials had met the tax authorities to have access to 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).

FBR Member Operations Inland Revenue raised the following questions on the Nadra's model: First, how does the AI model define high-income people?

Second, does Nadra have the mandate to use third-party data for determination of the tax liability?

Third, what is the accuracy of variables and the model based on these variables?

Or how much additional tax revenue this model projects in a given year?

The FBR Member Inland Revenue (Policy) raised the following question on the Nadra's model: What does the development team of the Nadra means by income?

The FBR chief raised the following questions on the Nadra's model: One, did the Nadra team determine the R-Square (statistical measurement) of the model?

Two, what regression tools have been used in the model?

The IT chief raised the following questions on the Nadra's model: First, is the data relating to the variables mentioned in the model exhaustive?

Second, if the Nadra has biometrically-verified bank accounts should it not be aware of bank accounts existing against all the Computerised National Identity Card (CNIC) numbers?

Third, the mathematical model is based on the assumption that those who pay taxes and those who do not pay taxes have the same tax treatment, which is otherwise not the case because some of them are fully exempted, while others are fully subjected to the tax laws.

The FBR officials also raised question that the Nadra model, when developed, has to be used by the FBR within the legal precincts defined by the enactments of the Parliament. Therefore, the Nadra should also upfront negotiate the consideration of the final version of this model that is will it be free or the Nadra will charge a fee for providing its services?