

Mini budget unlikely to bear fruit

A mini budget is a forgone conclusion given that the Finance Supplementary (Amendment) Bill 2018 does not go far enough either in raising revenue or reducing expenditure as required by the economy.

The Bill approved by the assembly and signed by the President envisages 183 billion rupee additional revenue generation in comparison to the budget presented by the PML-N administration in April; however sources in the Federal Board of Revenue (FBR) told *Business Recorder* on condition of anonymity that the projected target revenue (Rs 15 billion) from increase in regulatory duties would be a challenge as the probability of the state's ability to control the thousands of miles of our porous border remains suspect. Additionally the Rs 92 billion revenue through administrative and enforcement measures may be an over estimation especially as reforms have yet to be identified, leave alone implemented, and the International Monetary Fund may suggest other taxes that may be more punitive, but more likely to generate revenue in the short term.

The government is committed to launch a drive against defaulters and evaders. And is dismissing previous governments drive to identify the defaulters through Nadra which when investigated led to the conclusion that it consisted mainly of those who were legally allowed exemption from filing their returns - notably rich landlords, widows, students etc.

Sources stated that the IMF team will be informed that a massive campaign has been launched against big tax evaders to bring them into the tax net. Federal Minister for Finance Asad Umer revealed that notices have been issued to 450-500 big tax evaders and non-filers as of 13 October (yesterday). In the coming days, more notices will be served on tax dodgers from the recently prepared list by the tax authorities on the direction of the government.

Based on tax profiles available with NADRA, former FBR chairman Ali Arshad Hakim attempted to bring 200,000 individuals into the tax net in 2011-12 but the exercise failed to achieve the desired result due to (i) failure to serve notices because of outdated addresses, and (ii) the majority were in the category not required to file returns During PML-N tenure around 75,000 notices were issued by the FBR and the exercise led to filing of only 6,500 returns. FBR sources told *Business Recorder* that action against those big tax evaders where trail of large business transactions and financial deals made by them are proven. All such tax evaders have been identified by the FBR and are being proceeded against for recovery of payable tax besides being subjected to heavy fines and penalties for failing to fulfill their tax obligations.

The FBR has also started action, in a phased manner, against all those tax evaders who have purchased properties over Rs 20 million, or purchased 1800 CC or larger engine cars, or received rent to the tune of Rs 10 million or more in a year but never filed their tax returns.

The tax authorities will also inform the Fund team that a comprehensive database available with them of potential taxpayers will be used to improve tax audit and enhance compliance. These administrative measures will be expanded and strengthened.

The tax authorities will also request the fund for continuation of sales tax zero-rating regime for five major export-oriented sectors i.e. textile, leather, carpets, surgical and sports goods.

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