



FBR reforms to be discussed in next cabinet meeting

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ISLAMABAD: The government is gearing up to launch a drastic reform plan for the Federal Board of Revenue (FBR) with the objectives of enhancing revenue collection and promoting equity and transparency in the tax machinery.

Dawn has learnt that the plan is in advanced stages, but nobody at the FBR is aware of it.

“We have moved a summary to the cabinet for introducing reforms in the FBR” Finance Minister Asad Umar told Dawn on Monday. The cabinet is expected to take up the summary in its next meeting, he said. “I would describe this as the beginning of FBR reforms” he said. He added that the government intends to build on the work on the tax reform committee of the previous government, which had also been endorsed by a committee of the national assembly but never moved into implementation stage.

He was unwilling to share further details on the reform measures saying the same will be shared in due time after cabinet’s approval. “I can tell you we will not be doing anything drastic, that would come out of nowhere” he tells Dawn.

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Summary moved, officialdom unaware of plans

The move for reforms within the FBR is in line with the PTI manifesto, in which the party went so far as to commit to making it an autonomous body. Imran Khan in his first televised speech as prime minister pointed specifically at the FBR as the one government department in dire need of reform. “I will start with the FBR”, he promised in that televised address when discussing his plans for streamlining government machinery.

However, confusion prevails as to the ownership of the summary being sent to the cabinet.

Top officials in the FBR were surprised when contacted about reforms sent to cabinet for approval. “We are unaware of any such summary sent to the cabinet”, an official source in the FBR said. Such summaries are normally sent through the signature of secretary revenue division. Another source in the finance division also showed ignorance about any such summary. He said the division is aware of the new government move to introduce drastic reforms within the FBR, but did not know whether the summary has been sent or not.

The source said it is possible that the restructuring summary was moved from the cabinet division. Normally, cabinet division deals with the restructuring, the source said.

Several attempts have been made in past to reform the FBR and many studies conducted starting with the Qamarul Islam report in the mid 1980s, to the Shahid Husain Task Force in the late 1990s, the decade long Tax Administration Reform Project (TARP) and miscellaneous changes made as per agreement with the International Monetary Fund. All these efforts, however, have failed to bring about the desired deep-rooted change in the tax bureaucracy which remains stubbornly wedded to its way of doing things.

Those familiar with the government’s plan tell Dawn that major thrust of the reform package is to separate revenue collection administration from tax policy formulation. The policy formation power will be taken away from FBR and handled separately.

Many proposals are under consideration, whether to merge the tax policy formulation with the revenue division, create an independent entity, constitute a policy board or assign it to the relevant divisions. Currently, the revenue secretary is also serving as the chairman of FBR.

FBR's role will be confined only to tax administration and tax collection under the envisaged reform plan.

Other proposed measures include enhancing the taxpayer cost of evasion, strengthening enforcement power of tax administration to go after non-compliant taxpayers, discouraging informal economy, cash transactions, and encouraging business through banks and enhance documentation, to ensuring across the board accountability of FBR workforce and non-compliant taxpayers.

According to World Bank report on ease of doing business in Pakistan 2015, it takes 594 hours to pay taxes in Pakistan and out of 186 countries surveyed then, Pakistan ranked 172 in the level of difficulty in tax compliance.

In the last World Bank-funded reform project, the government had created a separate Inland Revenue Services in 2009-10 by functional integration of income tax, sales tax and federal excise duty. Earlier, customs was responsible for collection of sales tax and federal excise. The model was adopted on the pattern of UK and India.

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