**Right Priorities for Revenue**

**All those tax schemes that are in the pipeline should be brought to a meaningful conclusion before launching another scheme.’**

[MUHAMMAD NASEER BUTT](https://www.nation.com.pk/columnist/muhammad-naseer-butt)

May 09, 2024

[Newspaper](https://www.nation.com.pk/newspaper), [Opinions](https://www.nation.com.pk/opinions), [Columns](https://www.nation.com.pk/columns)

Burgeoning fiscal deficits have put the revenue performance of the apex revenue authority in the dock so much so that multiple administrative and legal measures have been directed against current tax and appeal procedures and especially against its personnel. In fact, the whole blame for the poor performance of fiscal policy has been diverted to the revenue side with total disregard to the equally, or rather more, important aspect of increasing public expenditure which is the main cause of budgetary deficit.

Interestingly, in the name of reforms and restructuring of the FBR, all doses of cure are set to be administered simultaneously without realizing the mechanics of the reform process which entails slow and consistent steps for reforming an organization and also requires consistent and timely intervention through structured monitoring for checking any deviation from the desired course. The said organization remains operational continuously throughout the year on international borders and inland and any reforms required to be made in such an organization is like changing a punctured tire of a moving vehicle which task requires the utmost care and prudence to do the needful. However, it appears that as a nation we are more prone for applying shock and awe therapy in search of reforms in place of slow and steady initiatives.

[Lesco collects over Rs3.81m from 92 defaulters in 24 hours](https://www.nation.com.pk/13-May-2024/lesco-collects-over-rs3-81m-from-92-defaulters-in-24-hours)

Over the years multiple attempts were made to bring all transactions and suppliers/buyers in an entire supply chain in the income tax net. For this purpose, a withholding tax provision was provided in the current Income Tax Ordinance for the collection of advance tax on the amount of electricity bill of a commercial or industrial bill. Admittedly, there are more than 3 million such connections which are regularly using power from public sector utilities and paying their bills. Despite the availability of such clear identification and data of defaulters, the FBR has not been able to devise an effective compliance and enforcement mechanism to bring all these businesses into the tax net.

Another provision was inserted in the statute book through the Finance Act 2013 to record transactions of certain categories of retailers. In this case, every manufacturer, distributor, dealer, wholesaler, or commercial importer of electronics, sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint, or foam sector at the time of sale to the retailer is required to collect advance income tax at the prescribed rates. The scope of the provision was broadened through the Finance Act 2015 when any transaction between a distributor or dealer to another wholesaler was also subjected to the collection of advance income tax. However, the scope of advance tax was further enhanced through Finance Act 2021 to nine other sectors such as pharmaceuticals, poultry and animal feed, edible oil and ghee, auto parts, tyres, varnishes, chemicals, cosmetics, and IT equipment.

[Four involved in murder of cops killed in encounter](https://www.nation.com.pk/13-May-2024/four-involved-in-murder-of-cops-killed-in-encounter)

Through the above insertions, almost all major suppliers have been covered which are obliged to collect advance Income Tax from as many as 20 big sectors while making sales of their products to the retailers. The foremost concern of the FBR should have been to devise a strategy to first enforce these legal provisions and utilize data of all suppliers and retailers of these sectors to enforce Tax Returns of both Income Tax and Sales Tax before going after the small retailers through a new retailers’ scheme. So, the prudent strategy remains that all those tax schemes that are in the pipeline should be brought to a meaningful conclusion before launching another scheme. This strategy would be more meaningful, and would require fewer resources, trigger no shock to the organization and, at the same time, save the government from the embarrassment of failure.

The FBR already has so many pending projects on its plate and almost all of them have been unfinished for a long time. A few instances include Track and Trace, Point of Sale, builders/developers’ scheme, and business process engineering initiatives including digitization of all tax processes. Almost all such big projects are hit by the snags and no sincere efforts have, apparently, been made by the handlers of these projects to remove hurdles and bring efficiency and transparency so as to achieve the desired objectives.

[CPWB chairperson pays tribute to mothers](https://www.nation.com.pk/13-May-2024/cpwb-chairperson-pays-tribute-to-mothers)

In order to streamline withholding tax collection and deduction mechanism, enabling provision for the placement of a fully automated system by the name “Synchronized Withholding Administration and Payment System” (SWAPS) has also been introduced under section 164A of the Ordinance as part of Business Process Engineering Initiative. The said project is still in the pipeline for a long and due to delay, the revenue continues to suffer.

The fact of the matter is that there is a substantial time runover as the earlier projects have not been brought to a successful closure. This changing of goalposts and missing timelines causes serious hurdles in the way of implementation of these projects, and, in return, revenue continues to suffer leakages and shortfalls. The government should first take notice of these serious lapses, set the priorities right, and ensure that all pending projects are completed within the prescribed timeframe before undertaking new initiatives and schemes so as to arrest revenue leakages and improve revenue collection.

[Man arrested for stealing Wapda wires](https://www.nation.com.pk/13-May-2024/man-arrested-for-stealing-wapda-wires)

**Muhammad Naseer Butt**
The writer is a retired member of the Federal Board of Revenue (FBR)