**FBR: achievements & challenges**

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The Federal Board of Revenue (FBR), in a Press [release](https://fbr.gov.pk/pr/fbr-achieves-historic-growth-in-march-records/152930) issued on March 31, 2021, stated collection of net revenue of Rs.3394 billion, exceeding by “more than Rs.100 billion” the target of Rs.3287 billion for the first nine months. The International Monetary Fund (IMF) before [releasing](https://www.imf.org/en/News/Articles/2021/03/24/pr2183-pakistan-imf-executive-board-completes-the-combined-2nd-3rd-4th-5th-reviews-of-the-eff) the tranche of US$ 500 agreed to [lower](https://www.thenews.com.pk/print/799870-pakistan-imf-agree-to-lower-fbr-s-tax-collection-target) FBR’s collection target from [Rs. 4963 billion](https://www.thenews.com.pk/print/799870-pakistan-imf-agree-to-lower-fbr-s-tax-collection-target) to [Rs. 4717 billion](https://www.thenews.com.pk/print/799870-pakistan-imf-agree-to-lower-fbr-s-tax-collection-target) for the current fiscal year (FY). FBR needs to collect Rs. 1323 billion in the remaining three months (Rs. 441 billion per month), which is achievable as in March 2021 collection was 475 billion. The last quarter is always better than earlier ones in FBR’s history of collection.  The performance of FBR is admirable, especially when the economic growth is extremely slow in the wake of partial lockdown in many parts of the country after third deadly wave of Covid-19 endemic.

The FBR in Press [release](https://fbr.gov.pk/pr/fbr-achieves-historic-growth-in-march-records/152930) claimed that its efforts “to broaden the tax base are expending apace. Early signs suggest such efforts are bearing fruits. As on 28-2-2021, income tax returns for tax year 2020 have reached 2.8 million compared to 2.6 million last year, showing an increase of 8%. The tax deposited with returns was Rs.51 billion compared to only Rs.33.0 billion, showing an increase of 54%. Sales tax returns for the period from July 2020 to February 2021 have reached 179,584 whereas they were 167,769 in the corresponding months last year, showing an increase of 7.04 %”. For full details visit: <https://fbr.gov.pk/pr/fbr-achieves-historic-growth-in-march-records/152930>

The challenges before FBR are multiple—political influence in transfers and postings, inefficiency, corruption, smuggling, under-invoicing/mis-declarations at import stage, lack of modern technology tools and trained/committed staff—just to mention a few. In the presence of all these, and failure of successive governments to properly equip the institution granting it autonomy with accountability under the Federal Board of Revenue Act, 2007, its performance in adverse conditions is laudable.

Out of total collection for 9 month of the current FY, 45% came from the import stage. The target of customs was Rs. 59 billion for March 2021 but it collected Rs. 81 billion as compared to Rs. 48 billion in March 2020 showing growth of 68%. On-year-year basis, against target of Rs. 448 billion, the collection was Rs. 541 billion showing growth of 12%. The collection under income tax, general sales tax and federal excise duty also showed healthy growth though not mentioned head-wise in the FBR’s Press [release](https://fbr.gov.pk/pr/fbr-achieves-historic-growth-in-march-records/152930). The Customs Wing acting as a withholding agent for its sister concern, Inland Revenue Service (IRS) at import stage needs to be vigilant about under-invoicing and enormous misdeclarations as these take heavy toll in overall collection of IRS. Huge collection of taxes managed by IRS at import stage is low-hanging fruit for it but [detrimental](https://www.brecorder.com/news/40075413/simplification-of-taxes-for-growth-i) to business [growth](https://www.brecorder.com/news/40077832). This policy distortion needs to be fixed. The direct taxes, sales tax and income tax should be collected when actual transactions take place and at the end of the tax year when real income tax is computed. The rate of customs duty should also be capped at maximum 5%.

The outstanding performance of IRS that is not highlighted in Press [release](https://fbr.gov.pk/pr/fbr-achieves-historic-growth-in-march-records/152930) but is [reported](https://www.brecorder.com/news/40079955/july-march-2020-21-over-rs100bn-increase-in-collection-target) by a newspaper:  “FBR has created a current tax demand of Rs 1.5 trillion during July-March (2020-21), which is the highest tax demand ever during the last five years. Out of 90 percent tax demand of Rs 1.5 trillion, 90 percent has been raised by four Large Taxpayer Offices (LTOs) against the big corporate entities and multinational companies. The impact of raising current tax demand of Rs 1.5 trillion during July-March (2020-21) would be visible in next fiscal years”.

Retirement of the incumbent chairman is due in April, 2021 and at best he may get extension till June 30, 2021.  He will always be remembered for his extraordinary leadership qualities and herculean efforts not only exceeding targets in the most difficult circumstances ever but also for many taxpayer-friendly measures, like [E-Katcheri](https://www.fbr.gov.pk/ekatcheri-with-chairman-fbr-on-18th-december-2020/152670), [tax awareness educational sessions](https://www.fbr.gov.pk/pr/tax-awareness-educational-session-held-in-wom/152867) and complaint redressal [forum](https://www.fbr.gov.pk/fbr-issues-circular-to-form-a-new-complaints-redressal-forum-for-taxpayers/152866) and [Circular 10 of 2021](https://download1.fbr.gov.pk/Docs/20213118326333742021-03-01%28Circular10of2021%29.pdf), issued by Member Operation (IRS) making Chief Commissioners as Ombudspersons to readdress the grievance of taxpayers.

There is a huge tax gap between potential taxpayers and filers. There were only 2,462,300 filers as per [Active Taxpayers List](https://www.fbr.gov.pk/download-atl/132041) [updated on March 29, 2021]. Pakistan has almost 4 million commercial/industrial establishments, out of which 197,138 filed sales tax statements, though all pay advance income tax and sales tax. The efforts by Members of Customs and IRS (Operations) are highly commendable in trying to enhance revenues through better enforcement. It is documented in [Simplification of taxes for growth—III](https://www.brecorder.com/news/40080312/simplification-of-taxes-for-growth-iii), *Business Recorder*, April 2, 2021.

According to latest [data](https://www.pta.gov.pk/en/telecom-indicators) available on the website of Pakistan Telecommunication Authority (PTA), the total number of cellular subscribers as on January 31, 2021 is [180 million](https://www.pta.gov.pk/en/telecom-indicators) (84% teledensity), out of which [95 million](https://www.pta.gov.pk/en/telecom-indicators) are 3G/4G subscribers (44.5% penetration), [2 million basic telephony users](https://www.pta.gov.pk/en/telecom-indicators) (1.3 teledensity) and [98 million](https://www.pta.gov.pk/en/telecom-indicators) broadband subscribers (45.6% penetration). At present, the entire taxable population and even those having no income or income below taxable limit are paying advance and adjustable 12.5 % as pre-paid or post-paid mobile users.

The FBR must bring on tax roll all those having taxable income by amending the law empowering compulsory registration on the basis of credible information and asking the delinquent to provide profiles and fill returns. It will bypass the existing system of issuance of notices and delays through crafty (unscrupulous) tax advisers (sic), majority of them are allegedly FBR’s staff members. This malpractice must end if we have to enhance the number of filers. These so-called advisers tell the businessmen not to file return as it will lead to “difficulties” later on and they will fix the matters if any notice comes.

According to Special Assistant to the Prime Minister (Minister of State) on Revenue, Dr. Waqar Masood, “around 7.4 million potential tax evaders have been identified”. In a telephonic [interview](https://www.dawn.com/news/1587222) on October 27, 2020, he claimed: “Household and income expenditure survey shows 21 million individuals with annual household income of Rs. 400,000 or more, which is in the taxable limit. The database of FBR has 7.4 million NTN holders and compliance percentage is less than 50% including registered companies. Those who paid Rs. 1091.5 billion as withholding taxes in 2019-20, conducting transactions worth billions of rupees, could not be tapped. About 8.9 million individuals who were captured by various registered authorities of immovable properties are not filing returns as per Dr. Waqar Masood.

The blame for above non-compliance lies with successive governments extending amnesties to evaders and avoiders (for which FBR cannot be blamed). The PTI Government has extended two amnesties since coming into power against its contrary claims to nab them. It is thus unfair to blame FBR for the present state of affairs. The real culprits are so-called legislators supporting the tax evaders and avoiders keeping their names confidential. Many of them stashed assets worth billions abroad and ex-chairman FBR coming from private sector has been supporting it as “legitimate” even till today.

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