IMF GIVES GOVT OPTIONS FOR PLUGGING RS600BN FISCAL GAP: THE FUND NOW ASKS THE GOVERNMENT TO JACK UP THE FBR'S TAX COLLECTION TARGET

ISLAMABAD: The International Monetary Fund (IMF) has conveyed to the Pakistani authorities to undertake substantial qualitative and sustainable tax and non-tax revenue measures to fetch additional revenues for filling the projected gap of Rs600 billion in the fiscal framework. The Fund now asks the government to jack up the FBR's tax collection target to align it with the projected nominal growth in the current fiscal year mainly with the help of a surge in the CPI-based inflationary pressures.

The government is still toying with its options of either jacking up the petroleum development levy (PDL) beyond the maximum limit of Rs50 per liter by making an increase of Rs20 to Rs30 per liter for allowing to charge Rs70 or Rs80 per liter or slapping 17 percent GST on the petroleum products for the remaining period of the current fiscal year. Alarmingly, the foreign exchange reserves nosedived to just $3.08 billion held by the State Bank of Pakistan (SBP) as of January 27. The country faces a double-edged sword, as the dollar inflows in shape of loans from multilateral and bilateral have severely choked and shrunk. Latest official data of the Economic Affairs Division (EAD) shows that the country could fetch loans of just $5.59 billion in the first half (July-Dec) period of the current fiscal year against a total projection of $22.6 billion. **Pakistan** had received total disbursements of loans and grants to the tune of $9.13 billion in the same period of six months during the last financial year 2021-22. This indicates that there was a massive decline in receiving disbursements from international creditors, resultantly the country was heading towards default.

In such a prevailing precarious situation, the **IMF** is in town for holding parleys with the authorities making renewed all-out efforts for striking a staff-level agreement for completion of 9th review under $6.5 billion Extended Fund Facility. On the fiscal front, the IMF seems ready for providing adjuster on flood expenditures once the fiscal framework finalises. But it will depend on how much expenditures could be occurred on floods both on development and non-development side of the budget especially through disbursements of stipends through BISP program.

First and foremost, the **IMF** and Pak authorities will have to reconcile a figure on the fiscal gap. Once it's determined, then it will pave the way for finalizing tax and non-tax revenue measures through the upcoming mini-budget.

The FBR high-ups informed the IMF team that they would be able to materialize their annual tax collection target of Rs7,470 billion keeping in view the recent devaluation of rupee against dollar and possibility of removing restrictions on imports on the basis of possibility of resuming the IMF program.

The IMF is asking the authorities to increase the FBR's annual taxation collection target to align it with increased nominal growth as the CPI based inflation touched whopping figure of 27.6 percent while real GDP growth might hover around 2 percent so this nominal growth must translate into increased revenue collection target.

Now the government will have to make up its mind for increasing the limit of PDL beyond Rs50 per liter up to Rs70 or Rs80 per liter or impose 17 percent GST on POL products. There is an argument that if the government slapped 17 percent GST, it will become part of the Federal Divisible Pool (FDP) under the NFC Award. So the best option is to jack up the POL levy through a presidential ordinance. The IMF favors the imposition of 17 percent GST on POL products on the pattern of consumption tax to discourage. Again the government is exploring its options for utilizing the data gathered in the BISP survey for providing targeted subsidies to motorcycle owners on petrol.

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FTO DIRECTS FBR TO DISALLOW AUDIT OF INCOMPLETE RETURNS

LAHORE: Federal Tax Ombudsman (FTO) Dr Asif Mahmood Jah has directed the Information Technology (IT) wing of the Federal Board of Revenue (FBR) to review IRIS application to ensure that the system should not allow completion of audit/assessment in cases where returns are incomplete. He also sought an immediate implementation of system based scrutiny of returns at least at the Large Tax Offices (LTOs) and Corporate Tax Offices (CTOs), identify short of documents cases, generate necessary notices, and maintain updated profile for all concerned officers and invalidate incomplete returns. He said the FBR has organized LTOs/CTOs on functional lines whereby different functions are performed by different dedicated zones - audit, enforcement and legal etc. He added that this scheme is the cornerstone of tax reforms implemented by the FBR but a number of tax cases indicate glaring pitfalls in the implementation of this functional scheme. He lamented that almost all tax returns are being filed without notes, which is an integral part of mandatory audited accounts. This trend indicates perpetual filing of incomplete tax returns, he stressed.

According to him, it has been found in a number of cases that mandatory audit notes were not submitted electronically as required under the relevant rules. This situation was resulting into the department was declaring already assessed returns as incomplete after a lapse of multiple years simply to block taxpayers' legal and admissible refunds.

The FTO has maintained that both the LTOs and CTOs claim that tax returns are examined and scrutinized through desk audit, followed by segregation of incomplete returns, yet the position is altogether different on ground. Non-compliance of stereo type notices are not monitored by the department, he added. He said a number of taxpayers are approaching his office against the departmental harassment, violations of protocols, Standard Operating Procedures (SOPs) and fiscal laws while misusing the authority. Taxpayers have a concerted opinion that the department was involved in undue harassment with a design to block their legal and admissible refunds.

The FTO has observed that tax records exhibited before him reveal that maladministration was embedded in routine neglect, inattention, delay and incompetence of departmental functionaries and in the administration and discharge of duties and responsibilities at the LTOs and CTOs.

In a recent decision, the FTO has directed the FBR to withdraw such a notice while declaring it illegal as a prior order has already validated the return. He has directed the IT wing to also ensure that indiscreet notices are not issued by the enforcement officers for tax years where audit and assessment proceedings were already completed and finalized. He has also sought system based scrutiny of returns.

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FBR APP TO HELP INTERNATIONAL TRAVELLERS DECLARE CURRENCY: "PASS TRACK" HAS BEEN MODIFIED TO FACILITATE PASSENGERS TO DECLARE CURRENCY WHILE TRAVELLING TO AND FROM PAKISTAN

ISLAMABAD: The Federal Board of Revenue **(FBR)** on Thursday launched a mobile application named Pass Track with regard to the currency declaration for international travelers.

"The mobile App "Pass Track" has been modified to facilitate passengers to declare currency while traveling to and from **Pakistan** even before coming to airport, Member Custom Mukarram Jah Ansari told media here after the launch of App. He said the testing of the App has been completed and many new features have been incorporated so that passengers can easily fill in all the required information. It may be recalled that the State Bank of Pakistan issued notification last month to revise the cash carrying limits for outbound passengers.

Accordingly, the **FBR** has notified the revised cash carrying limits. About the limits for passengers traveling abroad except Afghanistan, Ansari said that according to the revised notification, the maximum limit per person per visit has been reduced to $5,000 and the annual limit has also been set at $30,000.

Similarly for people below 18 years of age, the maximum cash limit for a person has been set at $2,500 per visit while the annual limit has also been revised down to $15,000.

For those traveling to Afghanistan, the maximum limit for carrying cash in foreign currency is $1,000 per person per visit, while the maximum limit per year is $6,000. Ansari said any incoming passengers when in possession of foreign currency exceeding $10,000 or equivalent is also foreign currency exceeding $10,000 or equivalent is also required to file declaration. Moreover, Pakistani currency can be taken out with a maximum limit of Rs10,000. The SBP has also made it mandatory for every person carrying foreign currency to file a declaration with Customs.

In order to make it convenient for international passengers, Pakistan Customs has obtained help from National Technology Board (NTTB) to develop a web-based mobile App to electronically file the declaration. Giving details of the App's features, he said it is available on App store and Play store for downloading.

The Web version of the App is also available. He said the App provides step by step guidance to the travelers making it easier for them to file declaration and any person can register on the App using his/her mobile number. Passengers will provide personal data once, and on the next visit, the system will auto populate the form on logging in, he said, adding that the App will show the previous declaration in the calendar year and available annual limit.

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IPRE MAKES 08 CASES OF IPR VIOLATION

KARACHI: Directorate of IPR Enforcement (IPRE) made 08 cases of IPR violation since September 2022. The directorate is created for enforcement of IPR laws of Pakistan especially at the import and export stage. After assuming charge in September 2022, the new IPRE team comprising of Director Ms. Zeba Azhar, Addtitional Director Mr. Javed Sarwar Shaikh and Assistant Director Mr. Manoo Mal Gulwani have adhered to a policy of strict action against IPRE infringing goods as per law.

It is however ensured that the proper procedure laid down vide relevant law and rules be strictly adhered to so that unnecessary harassment and litigation be avoided. It is the result of this policy that the Directorate has made 08 cases of violation of IPR comprising purses, empty perfumes cans, grinding disc, garments, cosmetics and etc. since September 2022 out of which only 01 seizure have been forwarded for adjudication whereas in rest of the consignments that importers voluntarily surrendered their goods which have been forfeited as per law. Besides, in order in create awareness among general public an extended and more organized gallery for proper display of items seized/forfeited by the Directorate has been made which will be inaugurated shortly.

IMPORTED INFANT MILK POWDER: SHC ISSUE PRE-ADMISSION NOTICE TO CUSTOM

KARACHI: Pre-admission notices were issued to respondent Customs officials in a petition filed by M/s Nutri Foods and Pharmaceuticals which imported infant milk powder. The notice came from custom appellate bench of High Court of Sindh which earlier heard a counsel from law firm Franklin Law Associates. The counsel requested the court for allowing provisional release as the petitioner company has challenged Valuation Ruling No 1725 of 2023 where in custom value of infant milk was assessed to be between 6.50 US Dollar to 9 US S depending on the formula ranging from “Follow-up Formula” to ‘Pre-mature’ formula.

The counsel submitted that department has declined request for provisional release in view of 3rd Proviso to Section 81 of the Customs Act 1969. The counsel from Franklin Law Associates also referred to order passed by this court in a petition CP-D7833/2022 and prayed for interim relief. The bench allowing the prayer for interim relief ordered petitioner to pay un-disputed amount of custom duty and taxes with the Collectorate concerned while to secure disputed amount also with the collectorate in the form of a Pay Order or Bank Guarantee. The bench also issued pre-admission notices to the respondents for Fen 07 with the directions that some responsible officer shall be in attendance on that day.

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SMUGGLING NOT THE MAIN REASON BEHIND USD SHORTAGE: FBR

ISLAMABAD: Federal Board of Revenue (FBR) Member Customs (Operations), Mukarram Jan Ansari categorically said Thursday that smuggling is not the main reason of currency shortage in Pakistan. He stated this during the launching ceremony of the “Pass Track” application regarding currency declaration for international travelers, held at the FBR House. He outrightly rejected allegations that billions of dollars were smuggled out of the country. This is absolutely a wrong perception that billions of dollars were smuggled, he said. The currency crunch was due to 3-4 different factors responsible for the situation. “Currency smuggling factor was the smallest.”

People were involved in the hoarding of dollars, keeping in view the economic situation in anticipation of an increase in the rupee-dollar parity. They purchased dollars Rs210, Rs220-225 and keep on hoarding. Now you see the margin between the inter-bank rate and open market rate is decreasing which would result in the reversal of the present situation, the FBR Member Customs said.

The FBR Member clarified that the hoarding of dollars is not illegal under customs laws. The other major factor was that the remittances of overseas Pakistanis, which come through the normal banking channel, started coming from other sources.

The investors abroad and financers of smuggling started purchasing remittances at higher rates from overseas Pakistani workers. There are reports that the smuggling mafia in Dubai is purchasing dollars even at the rate of Rs270-275. Those private purchasers are not exchange companies, but smugglers of foreign currencies who purchased foreign currency like Saudi Riyals from overseas workers at higher rates. These are not exchange companies, but private parties/smugglers, Ansari explained. It is a fact that the dollars were available in the black market and people keep on purchasing at higher rates, FBR Member added.

The first phase of the fast-track project has been launched. The FBR has requested the State Bank of Pakistan (SBP) to add a feature of scanning the QR codes of the passports to collect all the data, he said.

The passengers are checked at the airports on the basis of risk profiling and we are not engaged in very strict enforcement to encourage voluntary compliance, the FBR Member added. To a query, the Executive Director of the SBP said that we want to discourage cash-based transactions and encourage card-based transactions.

The FBR Member stated that the State Bank of Pakistan has issued the notification dated 08.11.2022 to revise the cash-carrying limits for outbound passengers. Accordingly, the FBR, vide SRO 2201(I)/2022 dated 12.12.2022 has notified the revised cash-carrying limits, the limits for passengers travelling abroad except Afghanistan. Moreover, the SBP has also made it mandatory for every person carrying foreign currency to file a declaration with Customs. The maximum limit per person per visit in US$5,000 and $30,000 per year (or equivalent in other foreign currencies) for 18 years and above (adults). The maximum limit per person per visit in US$2,500 and $15,000 annual (or equivalent in other foreign currencies) for age below 18 years (Minors).

Pakistan customs is the smallest anti-smuggling agency and the total strength of the agency is not more than 10 per cent of the total anti-smuggling agencies including law enforcement agencies, FBR Member maintained. In order to make it convenient for international passengers, Pakistan Customs has obtained help from National Information Technology Board (NITB) to develop a web-based mobile App to electronically file the declaration.

The FBR Member said that the mobile app with the name of “PassTrack” has been modified to facilitate passengers. This platform facilitates the passengers to declare currency while travelling to/from Pakistan even before coming to airport. Testing of the App has been completed and many new features have been incorporated so that passengers can easily fill in all the required information.

The App is available on App store and Play store for downloading. The Web version of the App is also available. It is also accessible from all over the world.

The App provides step-by-step guidance to travelers making it easier for them to file declarations. He said that any person can register on the App using his/her mobile number and the declaration form is available both in Urdu and English languages.

The passenger will provide personal data once, and on the next visit, the system will auto populate the form on logging in. The App will show previous declarations in the calendar year and available annual limit Data immediately becomes available in Customs system to Departure & Arrival Monitoring officers.

A feedback/complaint mechanism has also been incorporated in the APP to cater to any mistake/correction. The Pass Track app is part of FBR's resolve of making all-out efforts in creating a culture of compliance through technology-based solutions and eliminating human intervention.

The FBR is grateful to our important partner NITB for the development of the app. Their team has been very cooperative and showed great commitment to developing this app as well as to incorporate any changes suggested by the FBR. We look forward to their continued cooperation in future for further improvement of the app and linked systems. We also extend appreciation to the PR wing for developing an effective media campaign to raise awareness among the general public in a short span of time, Ansari added.

RULES NOTIFIED: FBR, BANKS CAN SHARE INFO ABOUT CIVIL SERVANTS' ASSETS

ISLAMABAD: The Federal Board of Revenue (FBR) Thursday notified "Sharing of Declaration of Assets of Civil Servants Rules, 2023" for sharing of information between the FBR and banks about the assets of civil servants in BS 17-22.

The FBR, on Thursday, issued SRO 80(l)12023 to issue the final rules. The same has been previously published vide Notification No SRO76(I)12023 dated January 26, 2023, as required by sub-section (3) of section 237 of the Income Tax Ordinance. After a period of five days, the rules have been notified.

According to an SRO 80(I)/2023 issued by the FBR, the rules shall apply for sharing of information with banks. These rules shall apply for a limited purpose of sharing of information in respect of civil servants in BS 17- 22.

The FBR shall share a simplified or abridged version of declaration, based on the fields agreed with the State Bank, made by a civil servant in his electronic declaration filed with FBR. The bank shall use a pre-notified, secured and single authorized email address and the email account shall be under control and responsibility of the head of compliance of the bank in terms of its authorization, use and security of data being shared. The bank shall communicate to the FBR the credentials of a maximum of four focal persons (officials) authorised to communicate with the FBR through the authorised email. The following information shall be furnished by the bank in respect of focal persons. The bank shall promptly communicate any change of focal persons' credentials above and shall not allow using the secured email until the credentials have been communicated to the FBR.

The FBR shall provide simplified or abridged information, within five working days through the authorised email, or may refuse in case information is not available or cannot be provided due to any reason. In case of dispute, the decision of the FBR shall prevail being the custodian of information. The bank shall provide bi-annual feedback on the use of information received by the bank as well as on the outcome of CDD in terms of the success of new accounts opened and how the information helped the bank in establishing its client relationship. Case-wise feedback to be provided by 31st July and 31st of January of every year of preceding six months' information requests made by the bank.

The FBR shall have a dedicated banks' CDD desk assigned to an authorised officer supported by designated officials to deal with the information requests from the banks, the FBR added.

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