

## **WB ECONOMISTS MEET FBR CHAIRMAN**

**ISLAMABAD:** A team of World Bank economists met Chairman Federal Board of Revenue Asim Ahmad at FBR HQs on Friday to discuss improvement in tax compliance and facilitation through behavioural intervention.

The World Bank team comprising Jonathan Karver, Ms Ana Maria Mendez, Ms Lucy Pan and Ms Irum Tauqeer apprised Chairman FBR about International experiences and discussed potential areas of interventions in Pakistan. The Chairman reaffirmed commitment to continue making efforts to improve taxpayer experience. The two sides agreed to continue cooperation to identify new areas where taxpayers can be facilitated in complying with tax obligations.

## **FBR DIRECTS 96 BIG RETAILERS TO INTEGRATE WITH POS SYSTEM**

**ISLAMABAD:** The Federal Board of Revenue (FBR) has directed 96 unregistered big retailers (Tier-1) to integrate them with the FBR's Point of Sale (POS) system to avoid denial to input tax credit.

The FBR has issued Sales Tax General Order (STGO) 8 of 2023 here on Friday. The FBR has decided to raise sales tax demand against these big retailers (Tier-1), who are still not integrated with the FBR's POS system.

The FBR's directive said that upon filing of Sales Tax Return for the month of Feb, 2023 for all hereby notified T-IRs not having yet integrated, their input tax claim would be disallowed, without any further notice or proceedings, creating tax demand by the same amount.

The FBR's STGO revealed that the said big retailers are required to be integrated with the Board's POS system. The list of 100 identified retailers revealed that 96 big retailers are not registered with the sales tax department for the purpose of the POS and they are also not depositing collected sales tax from consumers into the national exchequer. Last month, the FBR had issued a list of 124 big retailers (Tier-1), which are required to be integrated with the FBR's POS system and were denied 60 percent input tax credit in case of non-integration. The number of big retailers (Tier-1) now stood at 100, out of which 96 are required to be integrated with the POS system.

The Finance Act, 2019 added sub-section (6) to section 8B of the Sales Tax Act, 1990 (the STA, 1990), whereby, a Tier-1 Retailer "(T-1R)" who did not integrate its retail outlet in the manner prescribed under sub-section (9A) of section 3 of the STA, 1990 during a tax period, its adjustable tax for that period would be reduced by 15 percent. The figure of 15 percent has been raised to 60 per cent vide Finance Act, 2021. In order to operationalise this important provision of law, a system-based approach has been adopted, whereby, all Tiers who are liable to integrate but have not yet integrated, with effect from July-2021 (Sales Tax Returns filed in August 2021) are to be dealt with as per the procedure laid down in STGO No I of 2022 issued on 3rd August 2021.

## **FBR SURVEY: BUSINESSES FIND IT DIFFICULT TO FILE GST RETURNS COMPARED TO IT RETURNS**

**ISLAMABAD:** A survey of the business community conducted by the Federal Board of Revenue (FBR) revealed that businesses find it more difficult to file sales tax returns as compared to income tax returns.

According to the survey results released by the FBR on Friday, among filers of sales tax returns, 53 percent of businesses found this to be moderate to complete while 26 percent it was easy and five percent very easy. This means that businesses find it more difficult to file sales tax returns relative to income tax returns.

Further, simplification in the filing of sales tax returns is thus suggested, the survey added. The survey also explored whether businesses have sought extensions for submitting the tax return form under section 119. Of the 516 businesses surveyed, 74 businesses (14 per cent) stated that they had ever sought an extension – mostly public and private limited companies (and to a lesser extent, AOPs). These businesses were asked about their experience in regard to seeking an extension. They were given feedback options which would best describe their experience and it was observed that the responses were generally positive. Out of the 74 businesses, 34 indicated that in response to their request for an extension they found the FBR to be responsive and another 17 stated that the FBR was fair. There were only a few businesses which had a negative experience in seeking this extension, the FBR survey added.

## **'TAXPAYERS' SATISFACTION SURVEY (2023)' 53PC OF BUSINESSPEOPLE FILE TAX RETURNS WITHOUT ANY HELP**

ISLAMABAD: Around 53 percent of business community has filed their annual income tax returns without any help from external accountants/chartered accounts or tax lawyers. [This is the result of the Taxpayers' Satisfaction Survey (2023) conducted by a research/consultancy firm for the Federal Board of Revenue (FBR).

However, business community has refused to share their response to the question of the Federal Board of Revenue (FBR) about experience of their interaction with the board. When contacted, Syed Tanseer Bukhari, President, Rawalpindi Islamabad Tax Bar Association said the return form of the corporate sector is still very technical, complex and lengthy. The figure of 53 percent seems to be unrealistic as many return filers do not mention names of their tax consultants or lawyers engaged in return filing, he added.

All Pakistan Anjuman-e-Tajiran (APAT) Chairman, Ajmal Baloch told Business Recorder that the business and trade is demanding a simple return form in Urdu language due to complex returns form. He raised question that how 53 percent of the business community is filing returns without any help?

The Taxpayers' Satisfaction Survey was conducted for the FBR with two primary objectives: Firstly, conduct a taxpayer satisfaction survey on FBR services and products in the Inland Revenue services. Secondly, generate insights on how to further improve the quality of service and product provided by the Inland Revenue services to taxpayers. The focus of this survey was on businesses, and thus, the sample included sole proprietors; association of partnerships (AOP); private limited companies and public limited companies. Of the 550 firms which were surveyed, 516 confirmed to be registered taxpayers. Hence, the valid responses considered for this exercise was based on these 516 businesses.

Surveyed businesses in Islamabad, Lahore and Karachi belonged to a variety of economic sectors. Of these, 141 (27%) businesses operated in the manufacturing sector, mostly comprised of private and public limited companies. This was followed by 123 (24%) businesses operating in wholesale and retail trade and 59 (11%) businesses which classified themselves under hotels and restaurants category. Sampled businesses also included those engaged in construction (50 businesses), transport and communication (34 businesses) and real estate and business activities (32 businesses). Note that out of the 58 businesses which were women-owned or led, most (32 businesses) of them operated in wholesale and retail trade followed by manufacturing (11 businesses).

As per survey results the businesses were asked about various aspects of tax return filing process. This commenced by inquiring who completes and files the tax form return for the business and it was observed that 53% of businesses completed the form internally (by the owner or internal account or finance personnel) while 47% of businesses obtained assistance externally, primarily from an external accountant/chartered account or tax lawyer. Amongst the businesses which completed the tax form internally, 41% of them found the tax form to be easy while 9% stated it was very easy. Around 35% of firms found this to be moderate, while 13% cited difficulty. On the other hand, those businesses which sought external assistance noted that this was mainly due to convenience (38%) and time (24%), followed by ensuring that the form is completed by a tax expert (20%) or not having the understanding within the business (11%).

An important section of the survey was to assess the interaction experience of businesses with the FBR. Businesses were asked whether they had ever interacted with the FBR, and 198 (38%) businesses from all segments confirmed that they had done so. On the other hand, 54% of surveyed businesses stated that they had not ever interacted with the FBR. The main reason for not interacting with the FBR was that businesses felt that they did not need to (206 out of 281); 42 businesses chose not to respond and 43 stated that they did not know. Amongst those businesses which did interact with the FBR, the leading method of communicating was in person at FBR office/Regional Tax Office, stated by 180 businesses (93%). Nineteen percent (19%) also indicated that they communicated with the FBR via telephone, but this was often subsequent to having met an FBR representative in person (as was the case of e-mail). Around 8% of businesses engaged with FBR personnel at locally set up facilitation camps. These findings demonstrate that the main interacting channel is in person, while other methods are utilized during follow-up communication once a point of contact has been established. There is also a lower level of awareness of these other forms of communication.

When inquiring upon the experience of their interaction, responses were gauged based on a set of factors which included: timeliness of response; treatment by FBR personnel; clarity of information provided; resolution to issue and recommendation to use this channel. The first point to note is that not all businesses which confirmed interaction with FBR chose to provide feedback on their experience. For instance, of the 180 businesses which interacted with the FBR in person at FBR office/RTO — the leading method of interaction by surveyed businesses—only 115 businesses chose to provide feedback on their experience.

Hence, when probing deeper on interaction experience, a considerable proportion of businesses refrained from providing feedback. The number of businesses providing feedback on other forms of interaction is quite low, and hence, responses are analyzed with caution. Therefore, while the sample of responses related to in-person visits at FBR office/RTO is sufficient, feedback related to other forms of interaction should be viewed as a broad indication, survey results added.

## **BUSINESS COMMUNITY FEARS FBR HARASSMENT: SURVEY**

ISLAMABAD: Business community fears harassment by Federal Board of Revenue (FBR), according to the Taxpayers' Satisfaction Survey (2023) released on Friday.

According to the survey results issued by the FBR on Friday, it was observed that businesses generally agree that paying tax is a legal obligation and that tax payment will help bring progress/betterment in Pakistan. However, they tend to agree less that the taxes levied upon businesses in their industry are fair. Correlating this further with the behavior dimension, respondents note that businesses are not fulfilling this responsibility in terms of paying their taxes because they feel that they are not rewarded for their payment and they are unsure how the tax monies will be used. Businesses also fear harassment by FBR. Thus, a large majority of businesses understand and agree that paying taxes is a legal responsibility, and a social one, which is necessary for the development of the country.

However, they note that businesses are not always fulfilling this responsibility. In other words, there are apparently inconsistent norms prevailing in the taxpayers where legal requirements are not necessarily equated with appropriate behavior in society. When taxpayers view the tax system to be unfair and regressive (or not progressive enough) it may contribute to low compliance. This is an important finding, as it is a key feature which formulates tax morale and influences tax compliance. These results indicate that gains in voluntary compliance can be made through appropriately structured taxpayer communication programs.

Appropriately designed (and targeted) programs for taxpayer education can also seek to change taxpayer norms in the country which modulate voluntary compliance. Focusing on digitization of services at FBR, feedback from businesses was quite positive, survey result said.

Businesses generally agreed that digitization of services has made it easier to file their tax returns and that digitization has made the tax filing process more transparent. This is a key area to project further to not only improve tax filing processes, but also promote the image of FBR. To encourage tax compliance, businesses highlighted that facilitating measures and improved communication appear to be more effective relative to penalties. As shown below, 84% of businesses believed that awareness campaigns could be very effective in helping to promote tax compliance (an additional 10% believed this could be effective and 6% somewhat effective). This was followed by process-oriented measures including tax form simplification and extended deadlines. On the other hand, high penalty on evaders scored the lowest in terms of effectiveness on encouraging compliance, survey added.

## **FBR COVERS 550 FIRMS FOR ITS TAXPAYERS' SATISFACTION SURVEY**

ISLAMABAD: The Taxpayers' Satisfaction Survey (2023) of the Federal Board of Revenue (FBR) has covered 550 firms/ companies that are members of the Pakistan Business Council (PBC) and members of Chambers of Commerce in Islamabad, Karachi, and Lahore.

The survey sample targeted two major taxpayer groups: (i) businesses which were members of the Pakistan Business Council (PBC) and (ii) businesses which were members of Chambers of Commerce in Islamabad, Karachi, and Lahore.

A total of 550 firms were surveyed from both these groups based on membership listings across the three cities. This sample size was sufficient to cover all four business types comprising sole proprietors, AOPs, private limited companies, and public limited companies. Note that 10 per cent of the sample included women-owned /represented companies. Of the 550 firms which were surveyed, 516 were confirmed to be registered taxpayers. Hence, the valid responses considered for this exercise were based on these 516 businesses.

The planned modality was to conduct this survey online, through a customised survey software and associated weblink. However, as a result of low online response rates, the online surveys were supplemented by telephonic surveys, as well as, physical visits in industrial and commercial areas across the three cities. Participation in the survey was voluntary and all data was obtained anonymously to ensure confidentiality of respondents. The data collection exercise was implemented during the month of January 2023. There were a few limitations affecting the implementation of this survey.

First, due to the tax-oriented nature of the survey, there was hesitance on part of businesses in participating in this survey resulting in low response rates.

Second, the original modality of conducting this survey online proved sub-optimal; supplementary data collection techniques were deployed to meet the sample target in the given timeframe.

Third, while sample frames were drawn based on the PBC and Chambers' member directories, this was applicable for online and telephonic surveys; on-ground surveys followed random walk method in selected industrial and commercial areas in the three cities with qualifier questions on membership of respective Chambers.

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