FBR REBUTTAL ABOUT THE STORY

"FBR project gets poor rating from lender"

An article was published in some section of the media on 12.3.2023 bearing the title "FBR project gets poor rating from lender". The piece is factually incorrect on numerous accounts and quotes statistics without proper context which makes it misleading. To begin with, the very title of the article is misleading in that the article itself states that the World Bank had accorded "moderately satisfactory" rating to the Pakistan Raises Revenue Program, whereas the title calls it "poor" – a rating which does not even exist in World Bank's project performance ratings code book. It is pertinent to mention that this code book has six categories in the rating scale and "moderately satisfactory" is at number three on this scale. The article, in clear contradiction to its own title, goes on to admit that "the World Bank has kept overall project development objective rating at "satisfactory". Another example of this glaring and out of context reporting is that the "moderately satisfactory" rating was accorded to the smaller component-II of the PRR Program which is only worth $80 M out of the total Program size of $400 M. As per the World Bank's Aide Memoire "overall, the progress on Component 1 is satisfactory and improving". Important to note that Component 1 is worth $320 M and thus makes 80% of the total $400 M PRR Program. The author didn't track the progress that took place since World Bank completed its Medium Term Review (MTR) mission in October & November 2022 and based his story on stale data. FBR was able to successfully complete a host of DLI based policy actions under Component 1 that led to additional disbursement of $41.568 M in February 2023, bringing total disbursement to $ 250 M i.e. 62% of the total Program size and, to be correct on disbursement design, 78% of Component 1 allocation. The article, on the other hand, reported the old disbursement figure of $210 M under Component 1.

The article also misrepresented FBR's plans to extend facilitation to taxpayers' doorstep through Mobile Facilitation Stations (MFS). This twist on facts is based on using provocative words like "luxury vehicles" which damages taxation efforts in two major ways: frustrating taxpayer facilitation efforts of FBR and creating public's mistrust in government institutions which results in dilution of revenue generation efforts during these hard economic times. Since this is the second time this issue has been misrepresented by the same author, FBR would like to provide the context to the readers so that they are aware of the whole story and not just cherry picked points. The World Bank team conducted a Mid-Term Review (MTR) in Oct-Nov 2022, in order to review the progress and to determine any restructuring requirement of the Program. The article in question based its points, albeit selectively, on the reports of this MTR mission. The World Bank mission recommended project restructuring in two phases. As a result of rapid restructuring phase, FBR was able to achieve DLI targets and, consequently, get the disbursement of USD 41.568 M under Component 1. For the second phase of restructuring, the MTR mission agreed with the need for the revision of Component-II's PC-I due to price escalation of the IT equipment/ system upgrades that FBR requires and changes in organization's needs to achieve Component 1 policy actions. Under revised PC-I, the primary initiative designed to support Component 1 policy actions was undertaking the tax compliance initiatives and behavioral nudges through enhancement of FBR's outreach through Mobile Facilitation Stations (MFS) in areas where outreach is less due to difficulty of access and resource shortage. Each of these stations was to be housed in a vehicle retrofitted with IT equipment (with all requisite FBR systems installed on it), internet connection, printer/ scanner, walkie-talkie, biometric device, bank card machines and GPS system. The mobile stations intend to perform various facilitation functions under the law at taxpayers' doorstep for instance registration, return filing, broadening of tax base, POS invoice verification, correction of taxpayers' data, CPR correction and Track & Trace related support, just to name a few. It was these 155 Mobile Facilitation Stations that the article incorrectly mentioned as "luxury vehicles" merely on the basis of their engine capacity which was proposed for the different terrains/ areas these were to be used on. For urban areas low engine capacity stations were to be made operational and for rural & hilly areas higher engine capacity stations were to be deployed. Moreover, the MFS initiative was to be implemented in phases with the initial pilot of 25 stations made operational in phase 1 after World Bank's approval. At present only FBR is creating a provision in revised PC-1. This was to be followed by an in-depth study into the successes of phase 1 and phase 2 was to be adjusted based on the learnings/ recommendations of this study. This initiative was to be funded from the ongoing $80 M Component-II of the Pakistan Raises Revenue Program without any additional funding. This initiative has to be undertaken by 30th June, 2025 ie., the end of the PRR project. It is worth noting that neither the word "luxury" was ever used in any MFS proposal nor was any function other than facilitation and compliance was conceived for this initiative.

Similarly, the article also attributes the decline in tax to GDP ratio from 13% to 10% since June 2018 to the performance of FBR & provinces whereas the change is due to rebasing of GDP.

FBR, being the primary revenue collection agency of the Federal Government, is fully cognizant of current economic challenges facing the country. It is, thus, fully committed to delivering on its statutory role and, in the process comply with all requisite rules and regulations of the Government.

FBR PR 13-3-2023

SINGLE GST RETURN SYSTEM: FBR, PROVINCES LIKELY TO DISCUSS DELAY SOON

ISLAMABAD: The Federal Board of Revenue (FBR) and provinces are expected to sit together during the current week to resolve the issue of the delay in the implementation of the single sales tax return system by the FBR. Sources told *Business Recorder*, Monday that the FBR will convene a meeting at the FBR Headquarters during the ongoing week to have the input of the provincial revenue authorities and boards on the single sales tax portal.

According to the sources, the deficiencies in the execution of the single sales tax return project have not been removed despite repeated requests from the provinces. Till now, Punjab has not implemented the said national return for sales tax registered taxpayers as per the decision of the National Tax Council (NTC).

The provincial revenue authorities/boards are also ready to discuss the critical issue of the National Sales Tax Return in the next meeting of the NTC. The importance of a single return is evident from the fact that the provinces would have access to the data of taxpayers of other providers for cross-matching of information, building a database of service providers on a national level and checking tax frauds.

The provinces are very keen to implement the said project due to the benefits associated with it in terms of data and information about the taxpayers.

The NTC had given the deadline of August 31, 2020, for the formal launching of a single sales tax return system for the taxpayers registered with the FBR and provincial revenue authorities. The provincial revenue authorities and boards have continued to request their taxpayers/service providers to file provincial sales tax returns. So far, the FBR has not fully implemented the National Sales Tax Return.

On January 7, 2022, former finance minister Shaukat Tarin launched the National Sales Tax Return for all federal and provincial sales taxpayers with the resolve that it would promote standardisation of taxability and tax rates and automatic input credit and refunds.

The FBR claimed that the launch of National Sales Tax Return will minimise data entry, eliminate fake/flying invoicing and will encourage harmonisation of tax procedures, definitions, and principles between the federal government and the provinces.

Taxpayers were required to file separate sales tax returns every month to each of the different collecting authorities where they conducted business, which was causing them hardship and increased compliance costs. However, the messages of the provincial revenue authorities and boards to the service providers operating in their respective jurisdictions indicate that the FBR has yet not been able to enforce the said single return.

MOBILE FACILITATION STATIONS: FBR OPENS MAJOR REFORM INITIATIVE

ISLAMABAD: The Federal Board of Revenue (FBR) has launched a major reform initiative by enhancing its outreach through Mobile Facilitation Stations (MFS) in areas where outreach is low due to difficulty of access and resource shortage.

According to the details of the World Bank-funded project issued by the FBR on Monday, each of these stations was to be housed in a vehicle retrofitted with IT equipment (with all requisite FBR systems installed on it), internet connection, printer/scanner, walkie-talkie, biometric device, bank card machines and GPS system.

The mobile stations intend to perform various facilitation functions under the law at taxpayers’ doorstep for instance registration, return filing, broadening of tax base, POS invoice verification, correction of taxpayers’ data, CPR correction and Track & Trace related support, just to name a few.

These 155 Mobile Facilitation Stations were proposed for different terrains/ areas. For urban areas low engine capacity stations were to be made operational and for rural & hilly areas higher engine capacity stations were to be deployed. Moreover, the MFS initiative was to be implemented in phases with the initial pilot of 25 stations made operational in phase-1 after World Bank’s approval. At present only FBR is creating a provision in revised PC-1. This was to be followed by an in-depth study into the successes of phase 1 and phase 2 was to be adjusted based on the learnings/ recommendations of this study.

This initiative was to be funded from the ongoing $80 million Component-II of the Pakistan Raises Revenue Program without any additional funding. This initiative has to be undertaken by 30th June, 2025 i.e., the end of the PRR project. As per the World Bank's Aide Memoire "overall, the progress on Component 1 is satisfactory and improving". Important to note that Component 1 is worth $320 million and thus makes 80% of the total $400 million PRR Program.

The FBR was able to successfully complete a host of DLI based policy actions under Component 1 that led to additional disbursement of $41.568 million in February 2023, bringing total disbursement to $ 250million i.e. 62% of the total Program size and, to be correct on disbursement design, 78% of Component-1 allocation.

The World Bank team conducted a Mid-Term Review (MTR) in Oct-Nov 2022, in order to review the progress and to determine any restructuring requirement of the Program. The World Bank mission recommended project restructuring in two phases. As a result of rapid restructuring phase, FBR was able to achieve DLI targets and, consequently, get the disbursement of USD 41.568 million under Component 1. For the second phase of restructuring, the MTR mission agreed with the need for the revision of Component-II's PC-I due to price escalation of the IT equipment/ system upgrades that FBR requires and changes in organization's needs to achieve Component 1 policy actions.

The FBR, being the primary revenue collection agency of the Federal Government, is fully cognizant of current economic challenges facing the country. It is, thus, fully committed to delivering on its statutory role and, in the process comply with all requisite rules and regulations of the Government, FBR added.

R 14-3-2023

CUSTOMS OFFICIALS, TRADERS HOLD MEETING AT TORKHAM BORDER

LANDIKOTAL: The Customs officials and traders held a meeting at the Torkham border and discussed various trade-related issues, official sources said on Monday. Additional Collector Customs Muhammad Rizwan, Additional Director Transit Athar, Col Bilal Yousaf, general manager, National Logistics Cell Col (r) Aziz, Col Sattar, federal deputy secretary of trade and commerce Mian Abdul Qadir Shah, Additional Collector Ashfaq Ahmad, additional secretary foreign security wing Muhammad Tariq, Home Department coordinator Kalimullah Khan, additional secretary Health and other officials attended the meeting.

The meeting discussed trade-related issues with Afghanistan. The Customs officials said they would remove the hurdles to increase export via the Torkham border. They said that the slow clearance process and traffic issues were the main causes that had to be addressed.

All the stakeholders agreed to jointly work and facilitate traders and transporters so that they could smoothly carry out the import and export of goods from and to Afghanistan via Torkham border. Collector Customs Muhammad Ashfaq assured the traders to resolve their issues on a priority basis. Traders and exporters thanked officials, especially Pakistan Customs, for their interest in providing the best possible facilities at the Torkham border to increase the export volume with Afghanistan and Central Asian Republics.

TN 14-3-2023

PTA WITH UZBEKISTAN TAKES EFFECT

ISLAMABAD: The Ministry of Commerce on Monday notified rules of origin for implementation of the Preferential Trade Agreement (PTA) signed with Uzbekistan. The rules, issued through SRO289, will cover only those products of exports and imports between the two countries identified for concessions under PTA. Both countries have already identified items for concessions on tariffs and it is estimated that bilateral trade will reach $1 billion. The lists were finalised after consultations with all stakeholders. According to a Trade Development Authority of Pakistan (TDAP) report, Uzbekistan can be a lucrative potential market for Pakistan to export pharmaceutical, agricultural, and textile products. Uzbekistan has great demand for portland cement, flat rolled iron products and parts of tractors and machinery.

Pakistan can import cotton yarn at cheaper rates from Uzbekistan. According to the notification, the products will avail concessions only in case produced or manufactured in the territory of the contracting party. As per the TDAP report, Pakistan has an estimated export potential of $373 million with Uzbekistan.

In December 2022, Pakistan and Uzbekistan signed nine memorandums of understanding (MoUs) to increase cooperation in various fields and prepare an action plan to boost the trade volume to $1bn. The PTA talks were initiated by the PTI government. The export basket is less diversified as these top products constitute over 80pc of the total exports. Pakistan mainly imports beans, legumes, zinc, cotton yarn, salt, vegetables, silk and machinery.

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