FBR ALL SET TO 'REVOLUTIONISE' POS, TTS

ISLAMABAD: The Federal Board of Revenue (FBR) is all set to revolutionise Point of Sale (POS) and Track and Trace System (TTS) through Machine Learning (ML) and Artificial Intelligence (AI) Model Pilot Program. According to a tweet of the FBR Sunday night, the Machine Learning (ML) and Artificial Intelligence (AI) Model Pilot Program, is being funded by FCDOGov.UK through ReMIT. This program will leverage ML and AI to digitally monitor Tier-1 retailers and select manufacturers in TTS to enhance revenue and facilitate taxpayers' interactions with FBR using WhasApp Chat Bot, FBR added.

Sources told Business Recorder that a team of World Bank has already visited a tobacco unit and a fertiliser plant to see the working and performance of the track and trace system.

TAX RECORDS OF MEMBERS OF A FAMILY IN SINDH LEAKED, CONFIRMS FTO

ISLAMABAD: Federal Tax Ombudsman (FTO) has confirmed that a family dispute in Sindh resulted in the leakage of tax records and wealth statements of entire members of a family to allegedly blackmail them by accessing to confidential information of their properties/ bank accounts, etc.

In this regard, the FTO has issued an order with directions to the Federal Board of Revenue (FBR) to stop Director I & I Hyderabad from investigating the case so that he cannot influence investigation of the complainant. According to the FTO order, the complaint was filed in terms of section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTC Ordinance) against alleged abuse of power, blackmailing and torture by Pir Khalid Ahmed Qureshi, presently posted as Director Intelligence & Investigations (l& I) IR Hyderabad.

Briefly, the complainant Pir Muhammad Baqi, a 70 years old retired government servant, resident of Nawabshah is maternal uncle of complainee Pir Khalid Ahmed Qureshi, presently posted as Director I & I Hyderabad. As per complaint, the complainee during his posting at I & I Hyderabad in 2020, extracted confidential FBR record of his family members including bank accounts and blackmailed his son Pir Salahuddin with dire threats to involve all of family members in money laundering, benami assets and NAB cases. As per allegations, complaints were lodged through Ali Murad Mugheri (a farmer of complainee) to FIA, Anti-corruption establishment Shaheed Benazirabad and NAB using confidential FBR record of his family members in 2021.

A bogus FIR was also lodged by Pir Shoaib Ahmed Qureshi, brother of complainee on 26.05.2022 on complainant's son Pir Salahuddin. Being aggrieved, the complainant lodged complaint before Prime Minister, Chairman FBR, Member Operations, Member Admin & HR and Secretary Establishment but without any success.

Recently, the Deputy Director I & I Hyderabad has been seeking bank records of all family members whose credentials were leaked by complainee through his front man Pir Shoaib Ahmed Qureshi, a lawyer by profession and brother of complainee. urther, Commissioner Anti Benami Initiative Zone-Ill Karachi has also started investigation on complaint by Pir Shoaib Ahmed Qureshi. The complainant prayed for necessary legal action against Pir Khalid Ahmed Qureshi, presently posted as Director I & I Hyderabad for abuse of powers and illegal use of FBR confidential tax records of his family members, FTO order said.

Evidently, there is no doubt that sanctity and secrecy of confidential IRIS/ FBR record of family members of the complainant has been breached but there is no solid or conclusive evidence as such to put entire blame on Pir Khalid Ahmed Qureshi, Commissioner I&I Hyderabad for this breach and establish 'maladministration' as such under section 2(3) of FTO Ordinance.

However, on receipt of complaint from Pir Shoaib Ahmed Qureshi, the Directorate has initiated investigation for unexplainable income, money trail and loss of tax revenue against all family members of the complainant. Therefore, any investigation of the family members of the complainant under direct control of accused Pir Khalid Ahmed Qureshi as a Director of I & I Hyderabad will be a mockery of justice, FTO order stated. Perusal of details of information submitted by Pir Shoaib Ahmed Qureshi reveals that the information of immoveable properties, bank accounts, motor vehicles, life insurance, prize bonds, advances, etc., of family members of the complainant follows the same sequence of wealth statement re-filed by any taxpayer which confirms that the sanctity and secrecy of confidential FBR record of family members of the complainant has been breached.

The complainant alleged that Pir Khalid Ahmed Qureshi, Commissioner I&I Hyderabad extracted this information by abusing his position of authority and handed it over to his brother Pir Shoaib Ahmed Qureshi for blackmailing & torture. However, the complainant could not provide any solid or conclusive evidence related to this allegation except some WhatsApp/ Facebook messages.

On the other hand, Pir Khalid Ahmed Qureshi denied the allegation of extracting the information from IRIS of FBR database and Pir Shoaib Ahmed Qureshi submitted that this information were given to him by his late father who is brother-in-law of the complainant and the complainant used to share these data with his late father for necessary advice.

FTO has recommended that in view of discussions supra, FBR is directed to either transfer Pir Khalid Ahmed Qureshi from the position of Director I & I Hyderabad so that he cannot influence investigation of the complainant; or transfer the entire case record related to investigation of the complainant's family members to Director I &I Karachi or to the Commissioner Anti-Benami Initiative Karachi, who is already investigating this issue on receipt of this complaint through PMDU.

R 3-4-2023

AMENDMENTS TO SALES TAX: CEMENT SUPPLIES BEING QUESTIONED

LAHORE: Repeated amendments to the Sales Tax law has opened a window of opportunity for tax authorities to mix them up to delay refunds and adjustment of input tax with the output tax, said sources.

Especially, the supplies of cement sector are being questioned by the relevant authorities in the backdrop of amendments made to the Sales Tax Act, 1990, under the Finance Acts of 1997, 1998, 2003 and 2008 respectively. Most of the transactions prior to the cut-off dates have become controversial so far refund and adjustment claims of the sector are concerned, said the sources.

The Sales Tax Act introduces indirect tax to be levied, charged and collected on imported goods or on taxable supplies of goods, and the same is collected by the supplier on behalf of the government, while the incidence of tax is finally borne by the consumer if the imported goods or of the taxable supplies of the goods. The foundational parameters of the sales tax are that the quantum of the tax is based on the value of the goods imported into Pakistan or the taxable supplies made in Pakistan by a registered person. Also, the incidence of the tax is triggered or made chargeable when the goods are imported into Pakistan or when the registered persons make taxable supplies in the course of furtherance of any taxable activity carried out by him. The liability to pay tax is on the person importing the goods in respect of the imported goods, or on the persons making the supplies in respect of taxable supplies made in Pakistan.
So far as adjustment of the input tax is concerned, it is due at the time of payment of output tax. The legislature has facilitated the supplier to adjust the input tax from the output tax at the time of making supply of the value-added goods. Thus, the input tax paid by one supplier on receiving the goods would be the output tax of the other who is supplying the said goods. The supplier on receiving the price of the goods supplied would after deducting the already paid input tax from the output tax, deposit the balance in treasury. This process would continue at each successive stage of the supply chain until the final goods is purchased by the final consumer, who would be finally burdened with the entire incidence of sales tax.

However, the tax authorities are found withholding refund amounts and not letting the tax adjustment under the garb of amendments made to the law from time to time leading to expensive litigation as well as wastage of time of taxpayer department and the adjudicating forums has become norm of the day. The sources said the matters go up to the level of apex court and finally disposed of in favour of taxpayers but tax authorities repeat the same exercise again and again to withhold lawful returns on the one hand and disallow tax adjustments on the other to show their performance to the high-ups.

R 2-4-2023

BUDGET PROPOSALS PRESENTED: STEEL MELTING SECTOR HIGHLIGHTS CHALLENGES

LAHORE: The country's steel melting industry is in a state of extreme distress as the banking sector remains incapable of allowing opening of Letters of Credit (LCs), leading to a severe shortage of imported scrap that is used as essential raw material in melting furnaces. This has been mentioned in the budget proposals for the year 2023-24 presented by the Pakistan Steel Melters Association (PSMA) to the Federal Board of Revenue (FBR) and the relevant ministers.

In the proposals, the critical problems faced by the steel melting industry have been highlighted and also the possible solutions to them. In their budget proposals the PSMA has argued that local scrap is of low quality and requires additional electricity for the melting process; so the steel industry is largely dependent on imported scrap.

However, in the crisis-like situation, the industry has been left with no other option but to use local scrap only. Under the circumstances, the taxation measures for temporary reduction of withholding tax to 0.25 percent on scrap supplies and 1 percent extra sales tax on supply from non-registered scrap dealers are immediately required to make the industry viable. Furthermore, cash purchases should be allowed from unregistered scrap dealers till the time of opening of LCs. The documented steel melters face practical problems in dealing with undocumented local scrap suppliers/ dealers, who are not registered with FBR due to the very high 9.5 percent withholding tax on supplies and levy of 5 percent extra sales tax. The PSMA has also asked the government to strictly check the smuggling of a huge quantity of cheap long steel bars from Iran, which are being used in the construction of buildings.

R 3-4-2023

IMMOVABLE PROPERTIES: FBR TO UNVEIL INCREASED VALUES FROM JULY 1

ISLAMABAD: The Federal Board of Revenue (FBR) will issue increased values of immovable properties from July 1, 2023. The board has started the process of updation of valuation tables of properties across Pakistan in consultation with the provincial authorities.

In this connection, the FBR has issued a notification, on Saturday, for constitution of the committees for the valuation of the immovable properties including new housing schemes, residential and commercial projects.

The FBR has also issued instructions to the field formations to coordinate with the respective district administrations for finalisation of the valuation tables of the immovable properties.

The FBR has asked the senior members Board of Revenues, Sindh, Balochistan, Punjab and Khyber-Pakhtunkhwa, Gilgit-Baltistan with the request that instructions may be communicated to the Divisional heads/District heads for nomination of representatives of the Board of Revenue for consultation/consideration with the teams constituted by the chief commissioners of Regional Tax Offices.

According to the FBR, Regional Tax Offices (RTOs) should initiate the process to update the existing valuation tables of immovable properties already notified under sub-section (4) of section 68 of the Income Tax Ordinance, 2001.

The terms of reference (TORs) of the committees shall be as under:

(i) Updating the rates already notified in valuation tables of immovable properties by the Board, pointing out any under/over valuation.

(ii) Recommendation of rates for areas/cities in respect of which fair market values have not previously been determined by the Board e.g. new housing schemes, residential and commercial projects (apartments). Keeping in view the availability of market rates, if these are available, the same may be included in the draft valuation tables.

(iii) For the purpose of uniformity “Square Yard” should be adopted as unit of measurement.

(iv) Consultation with Real Estate Association of the particular area or any of the stakeholders who should come up with his grievance through the said area association.

(v) The Court/Federal Tax Ombudsman (FTO) directions/recommendations on the existing valuation may be taken into consideration for new valuation.

It is also to be noted that the FBR is presently pursuing the agenda of taxation reforms namely Pakistan Raises Revenue Project (PRRP) under the auspices of World Bank. One of the most significant components of the project aims at harmonisation of valuation of immovable properties between FBR and the provincial governments/districts.

In order to reduce the anomalies, it is also advisable to coordinate with the respective district administrations while finalising the valuation tables as desired by the Board.

The committee may co-opt an Officer of Inland Revenue or any other person for carrying out survey/field visit for the purposes mentioned. Secretary (Rules and SR0s), Inland Revenue Policy Wing, FBR shall act as focal person/coordinator.

POWER PLANTS OF 25MW AND ABOVE: CUSTOMS DUTY EXEMPTION OPPOSED

ISLAMABAD: The Engineering Development Board (EDB), an arm of Ministry of Industries and Production (MoI&P), has opposed continuation of exemption in customs duty on import of plant, machinery, equipment, spares and other capital goods, etc., for setting up and balancing, modernisation, rehabilitation and expansion (BMRE) of power units of 25-MW and above, without condition of local manufacturing.
This has officially been demanded by Almas Hyder, Chairman Board of Engineering Development Board, in a letter to Secretary Power Division. Under the Fifth Schedule to Customs Act 1969, an exemption from payment of Customs duty is provided on import of plant, machinery, equipment and other capital goods, spares etc., imported as plant for setting up and BMRE of power units of 25-MW and above, without condition of local manufacturing. Due to this exemption, number of machinery, equipment, etc., (transformers, switchgears, control panels, steel structures, cables etc.) manufactured locally are also being imported without duties & taxes, resultantly, hurting the local manufacturing industry.

According to Chairman EDB Board, exemption was provided in 2014 to attract investment in power sector with a view to overcome the electricity crises. But now, as per Indicative Generation Capacity Expansion Plan (IGCEP) 2022-31 the total installed generating capacity of electricity by 2022 was more than 41,000 MW, whereas, total demand in peak hours is around 25,000 MW to 28,000 MW and during winter falls to around 8,000 MW to 10,000 MW. He further highlighted that import figures of 2021 for potential power generation and transmission equipment was around $ 2.064 billion, adding that due to the concessionary import of plant and machinery, not only the import bill related to energy equipment is high but it is also damaging the local industry which is capable of producing the equipment, indigenously.

After explaining the case, Chairman EDB Board, in his letter has proposed that the exemption provided on import of locally made machinery, equipment and capital goods for setting up or BMRE of power units of 25 MW and above may now be subjected to the condition of local manufacturing with applicability of CG0- 04/2022. He contended that this would not only slash imports but would also create an encouraging environment for local industry. He requested Power Division to consider his proposal, in order to achieve the goals of affordability, energy security and sustainability of electricity through indigenization in power generation sector, as envisaged under "National Electricity Policy'2021" and recommend to Ministry of Commerce/ FBR for deletion of following proviso under Fifth Schedule of Customs Act. 1969; "provided that the condition of 'local manufacturing' shall not be applicable on import of machinery, equipment and other capital goods imported as plant for setting up of a new power unit of 25-MW and above duly certified by Ministry of Water and Power in respect of those power projects which are on IPP mode meant for supply of electricity to national grid."

PHMA URGES FBR TO EXPEDITE DISBURSEMENT OF SALES TAX REFUNDS

LAHORE: The Pakistan Hosiery Manufacturers & Exporters Association (PHMA) on Saturday asked the Federal Board of Revenue to speed up releasing value-added knitwear industry's sales tax refunds to help ease up its cash flow, especially for payment of wages to its workers on Eid days. PHMA North Zone Chairman, Naseer Butt said that the value-added export-oriented industry is under extreme financial crunch and is facing losses of billions of rupees as its liquidity remains stuck due to delay in release of sales tax refunds.

Our members exporters have been complaining of facing inconvenience and inordinate delays in the payment of sales tax refund claims, as the government has stopped releasing all the sales tax refund claims whereby exporters' precious liquidity worth billions of rupees have been stuck, he added. Naseer Butt observed that a sharp decline in exports and foreign exchange earnings is hindering production while the government is not giving any heed to the repeated calls to save the export industries, which are facing the most difficult times in history. He said that the industry continued to suffer due to shortage of gas and constant power breakdowns, shortage of industrial raw materials caused by restrictions on opening of Letter of Credits (LCs), discontinuation of DLTL and Regionally Competitive Energy Tariffs.

The knitwear industry had earlier expressed satisfaction over the functioning of the FBR's FASTER system, which was processing claims electronically as per law and rules without any delay.

The FASTER system was introduced to end human intervention and process the sales tax claims electronically, while the new parameters introduced in the STGO involving FBR officials will defer the sales tax claims and again open the floodgates to corruption, he pointed out. He said that a huge amount of exporters' liquidity is lying frozen with the FBR. As a result, the textile export industry has become unviable and is on the verge of collapse.

The PHMA Chief appealed the FBR Chairman to remove the flaws and rectification of technical glitches in the FBR's sales tax FASTER system, which has been causing delays in the processing of sales tax refunds, resulting in a liquidity crunch and hampering exports.

R 2-4-2023

FBR TO REWARD PERSONS HELPING NEW TAXPAYERS IN RETURN FILING

ISLAMABAD: Federal Board of Revenue (FBR) will reward persons for helping new taxpayers in filing their returns, official sources said on Saturday. The sources in the FBR told PkRevenue.com that the law had already been notified in order to encourage income tax return filing. The sources said that through Finance Act, 2021, a new section 227BA was introduced to Income Tax Ordinance, 2001 under which the FBR had been empowered to sanction rewards to e-intermediaries for filing of returns of new taxpayers. It further added that the FBR with the approval of the federal minister in-charge may announce benefits, rebates, tax credits, allowances and any other incentive in cash or otherwise for class or classes of persons. The sources said that the FBR would soon prescribe procedure in this behalf and also notify the class or classes of persons eligible. The provisions of this section will take effect from the date of notified by the FBR, the sources added.

In Pakistan only 3.4 million people are filing their annual return of income whereas the total population of the country increased to around 220 million. In Pakistan, individuals and businesses are required to file tax returns every year to declare their income, expenses, and taxes paid to the government. The FBR is responsible for managing the tax system in Pakistan and ensures compliance with the tax laws.

Individuals are required to file tax returns if their income exceeds the tax threshold, which is currently set at Rs. 600,000 per year. Businesses, on the other hand, are required to file tax returns regardless of their income level. To file tax returns in Pakistan, individuals and businesses need to obtain a National Tax Number (NTN) from the FBR. They can then file their returns either online through the FBR's online portal or manually by submitting a paper return to the relevant tax office.

The deadline for filing tax returns in Pakistan is usually September 30th of each year. However, the FBR may extend the deadline in certain circumstances. It's important to note that failure to file tax returns or paying taxes on time can result in penalties and legal action by the FBR. Therefore, it's advisable for individuals and businesses to ensure compliance with the tax laws in Pakistan.

PR 1-4-2023

FBR: IMPLAUSIBLE EXCUSES – BR EDITORIAL

EDITORIAL: It beggars belief that on the one hand FBR (Federal Bureau of Revenue) says it is improving its digital services, in line with the government's policy of enhancing automation, yet on the other it admits to lacking the basic capacity to analyse big data and detect tax evasion. Data is the new oil, as they say, and no successful operations of the 21st century, especially collecting taxes from an entire country, can be completed without leveraging the latest techniques in data mining and analytics. How, for example, can the Bureau claim to make digital services "increasingly available to all taxpayers and traders" yet acknowledge its helplessness in expanding the tax net in a country with one of the lowest tax-to-GDP ratios in the whole world?

It's also shocking that authorities have not sought to make up for this deficiency by building necessary capacity instead of lamenting out in the open that FBR just doesn't have the tools to do its basic job properly.

Now what's one to make of one of FBR's own reports which states that functional data bridges have been established with provincial revenue agencies and other state departments across the nation, such as banks/NADRA/SECP/PITB/AGPR/I-LINK/TELCOS, Punjab Land Record, etc., but the tax collection machinery cannot get anywhere with these things because it never built the capability to analyse and interpret data as needed.

There's a lot more about this that makes no sense whatsoever. The report went on to claim that the development of ICT infrastructure and a well-resourced data analysis and resource unit – to integrate and analyse big data with adequate data security – can enhance the organisation's capacity.

Why, then, have these things not been done so far? Could it be that while everybody in the country realises that low tax collection is at the heart of the fiscal deficit, and has caused numerous problems in negotiations with the IMF (International Monetary Fund), FBR itself as well as the ministry that it answers to remain blissfully ignorant of this reality even as the ninth review of the EFF (Extended Fund Facility) still hangs in the air and the country could well tumble into default sooner rather than later?

Surely, the government understands that there's no more room to kick the can of reforms further down the road. Stakeholders have been crying out loud about the importance of just such reforms since forever, yet neither successive governments nor the bureaucracy, which seems to thrive on inefficiency, have ever been too interested.

The natural result of such paralysis is an unhealthy reliance on indirect taxes, which affects lower income groups much more than the tiny better off minority, to fill the kitty and meet harsh IMF conditions to keep the aid money flowing.

The government needs to realise the urgency of the situation and immediately push the reset button. FBR must be given the training and up-gradation necessary to function in the new, modern world. And that will inevitably require more than a passing knowledge of data analytics, given its importance in conducting all sorts of enterprise, both at the state and corporate level, in this day and age. It's a little surprising that the Fund didn't include this in its strict "upfront conditions" for each tranche of the ongoing EFF.

There must also be some reckoning. If those tasked with running the nodal national agency for tax collection and leading it into the new century were instead looking the other way as it decayed, then they must be made to pay for it. This process of cleansing would also send the perfect message to other government departments suffering from similar problems and ensure that nobody gets away with unacceptable excuses any longer.

R 2-4-2023