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# FBR likely to face fiscal slippages next year

KARACHI: The year 2020 will be a challenging year for the Federal Board of Revenue (FBR) that exhibited dismal performance in the outgoing year with the tax collection in the last fiscal year having plummeted to 51-year low.

The tax revenue authority was initially given Rs5.550 trillion as the collection target for the fiscal year of 2019/20. Its provisional collection during the first five months (July- November) of 2019/20 amounted to around Rs1.647 trillion.

The FBR is required to collect Rs3.933 trillion in the remaining seven months of the current fiscal year to achieve the ambitious collection target. Therefore, the FBR needs to collect an average Rs562 billion per month during the remaining period of the current fiscal year. However, the economic slowdown might make it difficult for the authority to meet the collection target.

FBR is planning to implement the condition of computerised national identity card (CNIC) on sales at the retail stage from next year. The government, in the current budget for 2019/20, introduced the condition of CNIC on buyers. The condition created controversy and retailers and small traders staged protest across the country. So, the CNIC condition, which was implemented from August 1, 2019, has been deferred till January 31, 2020 following negotiations between the FBR and small traders.

FBR officials believe the implementation of CNIC would help in identifying the people operating in the undocumented economy. However, the situation will be clearer once the FBR will take action in this regard.

Another big challenge for the tax authorities will be related to enforcing of sales tax laws related to automated point-of-sales for big retailers. The FBR formally implemented the registration of tier-1 retailers by linking their sales with the online system of the FBR's web portal.

FBR sent notices to tier-1 retailers to link their sales invoices with its online system. The last date for such retailers was initially set as December 15, 2019. Through online connection, FBR hopes to check the large scale duty and tax evasion on imported goods and locally produced goods.

Next year, FBR might also issue rules to define a separate tax regime for retailers and small traders. Bringing retailers and small traders remains a thorny issue for the tax authorities.

However, the government and small traders, in a meeting on October 31, 2019, agreed on registration of retailers under a fixed tax regime. The FBR would notify special income tax return forms for the segment of the economy.

The analysis of year 2019 showed that the year was not good in terms of revenue collection.

The FBR's year book 2018/19 showed that the tax machinery collected Rs3.828 trillion and failed to reach the numbers of preceding year's Rs3.844 trillion.

“The overall collection declined 0.4 percent, Rs15.3 billion lower than the collection of FY2017/18,” the document said. “It is pertinent to mention that last time the negative growth of 2.6 percent in the FBR revenue collection was recorded in 1967/68.”

The FBR faced a shortfall of Rs607 billion against the actual revenue collection target of Rs4.435 trillion during the fiscal year of 2018/19. The tax collecting agency further admitted that it had missed the second revised target of Rs4.150 trillion by Rs321.5 billion and collected Rs3.828 trillion.

Ironically, the tax authorities posted the lowest revenue collection in the past 51 years despite two amnesty schemes during the tax year of 2018/19.

Shabbar Zaidi was appointed as FBR chairman on May 10, 2019. Zaidi is the first person from private sector to have this position. Zaidi was appointed as the 26th chairman of the FBR amid challenging revenue conditions.

FBR notified rules for Benami Transactions (Prohibition) Rules, 2019 in order to speed up the efforts against individuals having assets in other names. The tax authorities have identified and attached several properties, including properties, shares, and bank accounts and started legal proceedings against benami assets. The FBR hopes to make huge recovery in benami cases during the coming year.

One of the major steps to compel non-compliant taxpayers to declare their income and assets is a new 10th schedule introduced into Income Tax Ordinance, 2001 through Finance Act, 2019.

The 10th schedule enforced 100 percent higher withholding tax on individuals who are not on the active taxpayers list (ATL). The higher rate was imposed on individuals who filed their income tax returns after due date.

Under the income tax law, people who file their income tax returns till due date will appear on ATL. However, an individual can appear on the ATL by paying penalty against filing his/her return after due date.

The introduction of ATL condition resulted in phenomenal increase in returns filing. The income tax returns filed for the tax year 2018 grew to a record high of 2.73 million, as per ATL-2018 issued on December 23, 2019. The last date for filing income tax returns for tax year 2018 was August 9, 2019. The filing of returns on the due date was increased to 2.5 million. Around 0.23 million people paid penalty for filing of income tax returns after due date and to appear on the ATL.

The agreement between the FBR and banks, which resulted in withdrawal of cases from courts by the banks, was another milestone during the outgoing year. Subsequently, the banks would provide bulk of information related to financial transactions to the FBR in January 2020.

The government launched reforms in the FBR. The proposed Pakistan Revenue Authority resulted in opposition from senior officers of Inland Revenue who strongly reacted to the plan. The government is expected to take decisive actions on FBR reforms next year.