

## DELIVERABLE

### FBR Reform Roadmap

- **Status** Completed and Launched
- **Champion** Federal Finance Minister; Chairman FBR; Advisor, Establishment

### The 100 days commitment through which the deliverable was achieved

**Theme:** Revitalise Economic Growth

**Initiative: 15** “Appoint a bold, capable and dynamic FBR chairman immediately, launch FBR reform and share a business friendly and equitable tax policy within 100 days to revive the economy and reduce debt dependence.”

- Milestone(s) of Federal Government**
- FBR Chairperson to be appointed (Adviser, Establishment) - Complete
  - FBR Reform Blueprint to be developed and launched (Chairman, FBR) - Complete
  - Tax Policy to be developed and announced (Finance Minister) – Complete

### Progress Update of First 100 Days

**Key Highlights**

**FBR Reform Blueprint to be developed and launched - Complete**

Leveraging institutional knowledge with insights from external professionals, FBR has developed a comprehensive reform programme. The programme has been approved by the Prime Minister and implementation has begun.

The plan includes immediate revenue acceleration initiatives, as well as a holistic 3-year reform plan:

**Key features** – Immediate Revenue Acceleration Plan

**Administrative Measures** – Crackdown on offshore and high net-worth tax avoidance underway (3000+ notices issued + 20,000 high net-worth non filers identified); data of 150,000 foreign accounts maintained by resident Pakistani’s successfully gathered from 29 countries; Speedy resolution of pending litigation and audits begun; Alternative Dispute Resolution mechanism activated; Collection of pending arrears and improved audit targeting underway; Sector-specific studies being conducted to enhance FBR’s capacity for forensic audits.

**Internal Controls** – Integrity & Performance Management Unit formed within FBR to ensure effective internal controls and assist in merit-based placement of FBR workforce; Complete revamp of the existing performance evaluation system finalised.

**Analytics/IT/Support** – Leveraging government and 3rd party databases to broaden tax base and combat under-reporting; Undertaking reforms to enhance analytics capacity; technology enabled surveys of commercial areas undertaken in major cities; Electronic system to check mobile phone smuggling activated.



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## **Key features – Three Year Reform Roadmap**

**Administrative Measures Planned:** Further digitisation of business processes, improvement of customer service, utilisation of technology to minimise interface between taxpayer and collector, national single-window for customs, SOP based regulation of audit function, minimising discretion of tax collectors, inspectors, appraisers, auditors.

**Analytics/IT/Support Measures Planned:** Central analytics unit utilising big data/artificial intelligence, utilisation of outside expertise, introduction of lean management techniques. track and trace technology deployment in tobacco and other sectors negatively affected by counterfeiting, illicit trade and tax evasion.

**Tax System Measures Planned:** Separation of tax policy and administration is already underway, Linking internal audit wing of FBR directly with the PM office, simplification of complicated tax laws and introducing a one window system with the provinces for collection of taxes.

## **Tax Policy Developed and Announced – Complete**

The separation of tax policy from tax administration is a key guiding principle of this administration. In the past, tax policy was neither effectively used to support the government's economic and industrial policy nor congruent with principles of social justice. Instead, it was the result of ad-hoc measures to raise revenue in the easiest possible way.

To rectify this, the Ministry of Finance has prepared a National Tax Policy, which has been approved by the Prime Minister.

## **Key proposals in the policy include:**

Separation of tax policy from FBR (this is already underway) – this will result in FBR becoming the administrative arm of the revenue system, while tax policy will be the exclusive domain of economic policy-makers

- Strengthening of tax administration
- Introduction of medium-term policy framework to guide annual budgets – This will represent a shift from ad-hoc tax policies
- Reviewing all tax exemptions, prohibiting future tax exemptions without independent cost estimates, and introduction of “sunset clauses” in exemptions
- Harmonisation of sales tax collection across provinces
- Reducing income tax for the banking sector for loans related to SME, low-cost housing, and agricultural lending from 35% to 30% from July 2019
- Abolition of withholding tax on bank transactions from July 2019

## **Next Steps**

- Publish tax policy and prepare medium-term tax policy framework – ensure budgets remain in compliance with stated policy

Continue to implement FBR reforms – track progress in a transparent manner

