

FACILITATION MEASURES

FOR MAKING PAYING TAXES AND DUTIES MORE CONVENIENT

The Federal Board of Revenue (FBR) has been taking several measures to simplify procedures for paying taxes and to minimize contact between the taxpayers and the tax collectors. In particular major improvements have been made through better and more extensive use of information technology. Some major measures include:

I. Inland Revenue Information System (Iris) for Income Tax and Sales Tax:

Iris, a new web-based, integrated, end-to-end System which is highly configurable and customizable. It was conceived, designed and implemented to cover all business processes of Income Tax and Sales Tax, to replace 37 different systems. It consists of following modules and features that make it convenient for taxpayers to comply with different requirements of the law.

(i) **Simplified Income Tax Registration Module** is a highly customizable and configurable system that facilitates prospective from anywhere in the world, at any time of the day, in minimum 5 minutes and maximum 20 minutes (depending on the type of taxpayer);

a. Personal Information (Mandatory)

Personal information of Individual, AOP and Company is must including tax period of taxpayer (Calendar, Financial and Special). Following verifications are done to address fraudulent registrations as were being done in previous system.

CNIC Verification: CNIC is verified online through a Web-Service provided by NADRA.

Cell Verification: Cell is verified through two factor authentication by sending verification code on cell.

Email Verification: Email is verified through two factor authentication by sending verification code on Email.

Residential / Head office Address (Mandatory)

Taxpayer has to add at least one property as residential / head office address. Tax can add more property addresses optionally.

b. Business

For Individuals Business is optional while for AOP and Company it is mandatory to mention nature of business / services.

c. Person links with other persons and assets (on need basis)

System provides dynamic way to link persons and assets with following capacities. i.e. Company and appoint any other person(s) as Director, Principal Officer, Legal Representatives etc.

(ii) Simplified Sales Tax Registration Module. Under Sales Tax Law, manufacturer, retailers, importers, wholesalers, distributors and commercial exporters are liable to be registered. The registration system was not a risk-based system, with faulty verification mechanism. Iris provides following verifications and at different process levels

- a. For Sales Tax Registration it is mandatory to first register for Income Tax with at least one business having at least one business activity marked as Sales Tax / FED
- b. Individual or Focal Person of AOP / Company has to visit FBR relevant field office to verify his/her Thumb from NADRA and capture picture
- c. Once application is submitted, system provides mechanism to assess automatic and manual parameters through another Iris Module (Risk Management System)
- d. System register cases having Risk Score less than benchmark set by FBR otherwise case are marked next level verification
- e. System provides mechanism to conduct physical verification and enable user to record decision based on physical verification.
- f. Based on Decision recorded, system either registers the case or case is rejected.

(iii) Income Tax Declaration Module

Declaration is a highly configurable and complete end-to-end solution for Inland Revenue Services.

- a. Provides mechanism for online filing by Taxpayer, Taxpayer Representative or Internal FBR Facilitation Center. Also provides mechanism for field office to file manually received returns.
- b. Provided standard version of calculation of taxes thereby facilitating it for the taxpayer to work out tax liability and eliminating calculation error and disputes of interpretation.
- c. Provides mechanism to revised Returns within 60 days after filing without Commissioner Approval and after 60 days, seeks for Commissioner Approval.
- d. Process Universal Self-Assessment Order (USAS) same day and updates Taxpayer ledger accordingly.

(iv) Withholding Tax Module

Withholding is one of the most important modules of Iris whereby each transaction will be reported by the Withholding Agent as and when it occurs, eliminating any chance of wrong calculation or wrong exemption.

- a. Facilitates Withholding Agents (WA) to prepare their bulk statements in offline mode in a prescribed excel sheet which provides some basic data health validations i.e. Length of fields, Mandatory fields etc.
- b. Facilitates WA to upload excel sheets online, system provides data integrity checks while uploading and rejects or accepts sheets. In case of rejection, system provides reason against each row
- c. Facilitates small Withholding Agents to Add / Edit transaction online
- d. Provided single version of calculation considering time based Standard Rates, Commissioner Exemptions, General Exemption and Active Taxpayer List (ATL) status.
- e. Facilitates WA to correct, delete and manage files uploaded by different branches

(v) IT Exemption Certificate and Quota Management Module, is also a highly customizable and configurable system. Due to manual system of tax exemption, there was an evident problem in recording and reconciliation. Iris employs this module to address all these issues.

- a. Facilitates Taxpayer to file online around 50 plus exemption applications including Quota Allocation for Raw Material and Machinery.
 - b. Facilitates Tax Collector to pass orders on all online filed applications for any period, Accept / Reject Orders, Increase / decrease quota and set reduced rates for withholding purposes.
 - c. Facilitates Taxpayer to utilize Raw Material Quota through automated applications and orders any time (24/7) removing dependency on Tax Collector.
 - d. System integrates with WeBOC software used by the Customs Department and send Import data of exemptions to WeBOC instantly where this data is utilized to clear Taxpayer GDs on reduced rates.
- (vi) **Revenue Module** of Iris was developed to facilitate tax payment through Alternate Delivery Channels (ADC) including internet banking, phone banking, ATM etc.;

II. Web Based One Customs (WeBOC) System of Goods Declaration and Clearance

WeBOC is an indigenously developed, web-based computerized clearance system, providing end to end automated customs clearance of import and export goods. The system was developed jointly by the Pakistan Customs and PRAL, and was first implemented on trial basis at Port Muhammad Bin Qasim. Subsequently, WeBOC was further rolled out at other terminals and customs stations.

Presently WEBOC has over 45,000 registered users i.e. businesses, government departments (Anti-Narcotic Force, Engineering Development Board, State Bank of Pakistan, Ministry of Climate Change, Railways, Income Tax Department, Provincial Motor Registering Authorities, Commercial Banks etc). Presently, 30% import consignments are cleared immediately (Green channel - without any intervention), 49% on the basis of uploaded documents (Yellow channel) and 21% (Red channel - deemed high-risk goods). Importantly the system has brought about uniformity in customs clearances across the country.

Its modules include Goods Declaration, Warehousing and module to handle Break-bulk, modules to handle Commercial Transit cargo for Afghanistan, Manufacturing Bonds, Reverse Transit and Clearances from Border Customs Stations. Basic features of WeBOC include:

- Paperless system ---- On-line manifest filing and Online payments
- 24/7 GD filing (web-based)
- Risk Management System (Green, Yellow, Red channels)
- Transparency (No surprises for trade, Less interaction with the Customs)
- All customs processes performed online by customs staff
- Communication with the custodians of goods/port authorities through EDI
- Online communication with traders and clearing agents
- Examinations reduced from 100% to 30%
- Importer's representative / clearing agent presence not required
- Assessment based on examination reports and images
- First-in, First-out (FIFO) based assessment scheme
- Online adjudication process
- Online decision support tools for customs and trade
- Stricter controls and checks (complete log of all activities)
- Less demurrages, less clearing/handling charges.