

Government of Pakistan
Federal Board of Revenue
Directorate General
Intelligence & Investigation (IR)

C.No.BTB-Target/3/11
eDoX Diary # 2011/150666-R

Islamabad, November 1, 2011

The Chief Commissioner,
Regional Tax Office,
Karachi-I/Karachi-II/Karachi-III/
Hyderabad/Sukkur/Quetta/
Multan/Bhawalpur/Faisalabad/
Sargodha/Lahore-I/Lahore-II/
Gujranwala/Sialkot/Rawalpindi/
Islamabad/Abbottabad/Peshawar.

Subject: **BTB CAMPAIGN FOR 2011-12: STRATEGIC REVIEW AND BTB TARGETS.**

It has been noticed with deep concern that ever since 1-7-2-11 the pace of BTB campaign nosedived to an extent that apparently all good job done during March-June 2011 on this account seems to have lost its weight. Field formations and their respective BTB units perhaps took it as a one time exercise therefore since July 2011 no considerable BTB initiative has been witnessed in any RTO. This alarming situation cannot be ignored any more and some remedial measures are immediately required. This strategic review is aimed at the same issue. Details are as under.

(1) Why BTB campaign is not being accorded its due importance?

- It appears that BTB exercise is not fully owned by the field formations. Officers at RTOs fail to understand that BTB is the top agenda item at all Policy fora i.e. Ministry of Finance, FBR and Directorate General I&I-IR. Most of the field officers are still obsessed with more lucrative jobs like Audit, Enforcement etc. Field formations will have to change their priorities in line with the ones set by the said policy makers.
- Poor logistic support to BTB units both in terms of physical as well as human resources contributes towards the dismal performance on this account.

- Field offices consider BTB campaign as an external intervention and no ownership has so far been developed by the field offices. This mindset needs to be changed because RTOs are the first and the foremost beneficiaries of this exercise.
- Regional data bases were not developed. Helter-skelter & piecemeal collection of information cannot sustain any fruitful BTB exercise.
- At most of the RTOs efficient and honest officers/officials have not been posted in BTB units and for the ones assigned this job seems to be either too dry or they sold it for peanuts.
- IT support from PRAL is lacking as despite our best efforts no monitoring mechanism could be so far developed.
- Field offices of I&I-IR could not be fully operationalized due to one reason or the other and thus the whole exercise could not be monitored properly.

Due to the aforesaid factors BTB campaign has been trapped in a vicious circle wherein low input is resulting into low output.

(2) How to break the aforesaid vicious circle?

- Chief Commissioners will have to shoulder the responsibility for change in mindset, which does not recognize the real importance of BTB. ***Clear message communicated by the undersigned at the recent Chief Commissioners Conference and my address to officers at Karachi on 26.10.2011, needs to be conveyed down the line both in letter and spirit. The Chairman FBR himself in his address to officers at Karachi on 28.10.2011, very clearly highlighted the importance and urgency of the BTB.***
- Now onwards BTB and Monitoring of Withholding Taxes are the two key areas of our performance. While the former would address the crucial most issue of Low Tax-GDP Ratio, the later guarantees the achievement of yearly budgetary targets. Our best officers/officials need to be utilized in these two areas. Senior most and experienced officers and the staff are required to be posted in these vital functional areas. No deviation shall be tolerated unless it is backed by solid/explainable reasons.
- Physical and human resources currently available with RTOs need to be analyzed properly. Each functional area of Regional performance need to be focused with special reference to its contribution towards assigned Regional revenue targets. Allocation of all resources must be linked with the said contribution or the untapped potential thereof. This analysis may please be conducted on the format attached herewith, (Annex-A) and duly filled in sheet be dispatched to **Directorate General I&I& on or before 11.11.2011 positively.**

- Keeping in view the massive BTB targets for the FY, 2011-12, existing BTB units are insufficient, therefore separate & exclusive BTB Zones are being raised at RTOs Karachi, Lahore, Faisalabad and Islamabad. At other RTOs dedicated BTB Ranges shall perform the said job. These dedicated Zones and Ranges shall exercise composite territorial jurisdiction over BTB cases. Present BTB units shall constitute the integral part of the said Zones/Ranges. Each BTB Zone will have minimum two Ranges with four units in each Range. The number of Ranges and units can be increased with the enhanced workload.
- Tax offices in Muffasal areas shall be responsible for BTB function in their respective areas. Jurisdiction of Muffasal areas can be assigned by the Chief Commissioner concerned either to the Regional BTB Range/Zone or to some other normal Zone, but in the later case, for BTB function they shall report to the aforesaid said BTB formation.

3. Regional BTB Targets for 2011-12

Regional BTB targets are assigned herewith. (Annex-B) These targets have been worked out by keeping in view the following facts & factors.

- Existing number of live cases
- BTB results during March-June 2011
- BTB Potential of the respective Region
- Commercial activities and the territorial jurisdiction

4. How to achieve the targets

Though RTOs are free to explore their Region specific BTB avenues, yet following areas are recommended for action.

I. Withholding Tax Regime as a BTB Tool

- Formation of Regional Withholding Cells
- Complete lists of withholding/Collection Agents
- Proper enforcement of withholding Statements
- Withholding Audits of different Tax segments
- Analysis of withholding statements would strengthen BTB and Regional collection as well
- Inter-Region Sharing of best practices

II. Tax Payers Mapping

- Ownership Mapping with the help of concerned Government Departments/Authorities
- Tax status verification Proceedings
- Cross matching with the existing Tax records
- Booking of new Tax payers
- Special focus on Property Income cases
- Commercial Areas within posh localities

III. Field Survey

- Meeting with all stake holders
- Formation of survey teams
- Prioritized Identification of Commercial areas
- Drafting of simplified verification form
- Verification Forms to be delivered on all business premises
- NTN and proof of filing of latest tax returns for existing tax payers
- Minimum details from non existing tax payers

Specimen survey form, (utilized during similar exercise at RTO RWP last year) Basic strategy, SOP approved by FBR, and monitoring pattern (Daily Visit Report, Weekly Visit Report, Guidelines in respect of BTB-Sales Tax/FED and Press Release) are enclosed. (Annex-C)

IV. Other potential Areas for BTB

- Un-Taxed Commercial & Rented properties
- Un-Taxed Middlemen
- Flight of Capital: investments abroad
- Poorly taxed Food Business
- Specialist Doctors/Dental Surgeons
- Private Elite Educational Institutions
- Franchises
- Small scale Manufacturing
- Services providers
- Professionals (Lawyers/ Consultants/Advisors/Executors)
- Businesses at Highways/Motorways
- Private Construction Firms/Coys/concerns

V. Tapping Real Estate and Motor Vehicle Registration

5. **How to maximize the benefits of BTB campaign**

- By comprehensively expanding Tax Base, covering all tax streams i.e. Income Tax, Sales Tax and FED. One effort with multiple aspects is better than separate/solo flights in each stream.
- Proper IT trail of all BTB efforts would help in development of a reliable data bank, data analysis and its optimal utilization.
- BY giving each BTB unit/Team specific and deliverable targets followed by proper monitoring.

6. **Quarterly BTB Review and performance evaluation**

BTB performance of different RTOs shall be reviewed on quarterly basis. Keeping in view the results of preceding quarter Regional BTB strategy shall be

reviewed as well. Chief Commissioners shall furnish Quarterly Review Reports in the first weeks of January, April, and July 2011 for the respective three quarters. Performance evaluation of Chief Commissioners shall mainly be based on Regional BTB performance.

For any further clarification or assistance on the subject Director, I&I-IR HQs may be contacted please.

Please remember our existence depends upon broadening of tax base.

(Shahid Hussain Asad)
Member (IR)/
Director General (I&I-IR)

Copy, for information, to SA to Chairman, FBR, Islamabad.