

## **Attention Officers of Inland Revenues !!!!!**

A presentation was shared with the Tax Reforms Commission, on the proposed '**National School of Taxation and Finance** (NSTF)' by Chief (Reforms), FBR, on March 2, 2017.

The proposed school:

- i. Is to be established through transformation of DGTR(IR), Lahore, into a progressive school of highest repute and standards, catering primarily to the needs of officers of IRS, Pakistan;
- ii. Is envisioned to become a regional training hub for Tax administration of neighboring countries;
- iii. May also offer certificate and degree programs for a wider audience i.e. private sector Tax/Finance professionals, for ensuring sustainability;
- iv. Must possess world class faculty, most modern curriculum, refined course contents, well equipped research facilities and most modern training and teaching methodologies;
- v. May emerge as a premier degree awarding institute in areas relating to local and international taxation and finance;
- vi. May serve as a Tax Policy / research Center of Excellence

Your feedback, input and suggestions are solicited, for consolidation and presentation before the Chairman FBR / Secretary Revenue Division, by 10-03-2017,

through email [nstf2017@gmail.com](mailto:nstf2017@gmail.com)



**ESTABLISHMENT OF  
NATIONAL SCHOOL of  
TAX and FINANCE (NSTF)  
LAHORE**

**Presentation for  
TAX REFORMS IMPLEMENTATION COMMITTEE, FBR  
March 2, 2017**

**By  
Chief (Reforms), FBR**



# IRS-New Challenges

- FY:2009-10: A landmark year for FBR, in which all Inland Revenues were merged
- The Merger of All Inland Revenues has:
  - **Created Opportunities** for tax-base broadening
  - **Added workload** on existing HR, due to Increased Workload
  - **And Enhanced Challenges** of three different revenue streams i.e Income Tax and Sales Tax and FED



## HOW DID WE INITIALLY MANAGE !!!

- Before integration, FBR's HR was trained in their respective tax-domains
- Post-Integration the Volumes of Collection and Expertise Requirements rose
- DGTR (IR), Lahore beefed up its efforts for Capacity Building of HR, through:
  - Increased number of Class room training programs
  - Training through Video-conferencing
  - International Training Seminars

**The Capacity Building efforts of DGTR (IR) paid dividends, as evident from collection trends:**

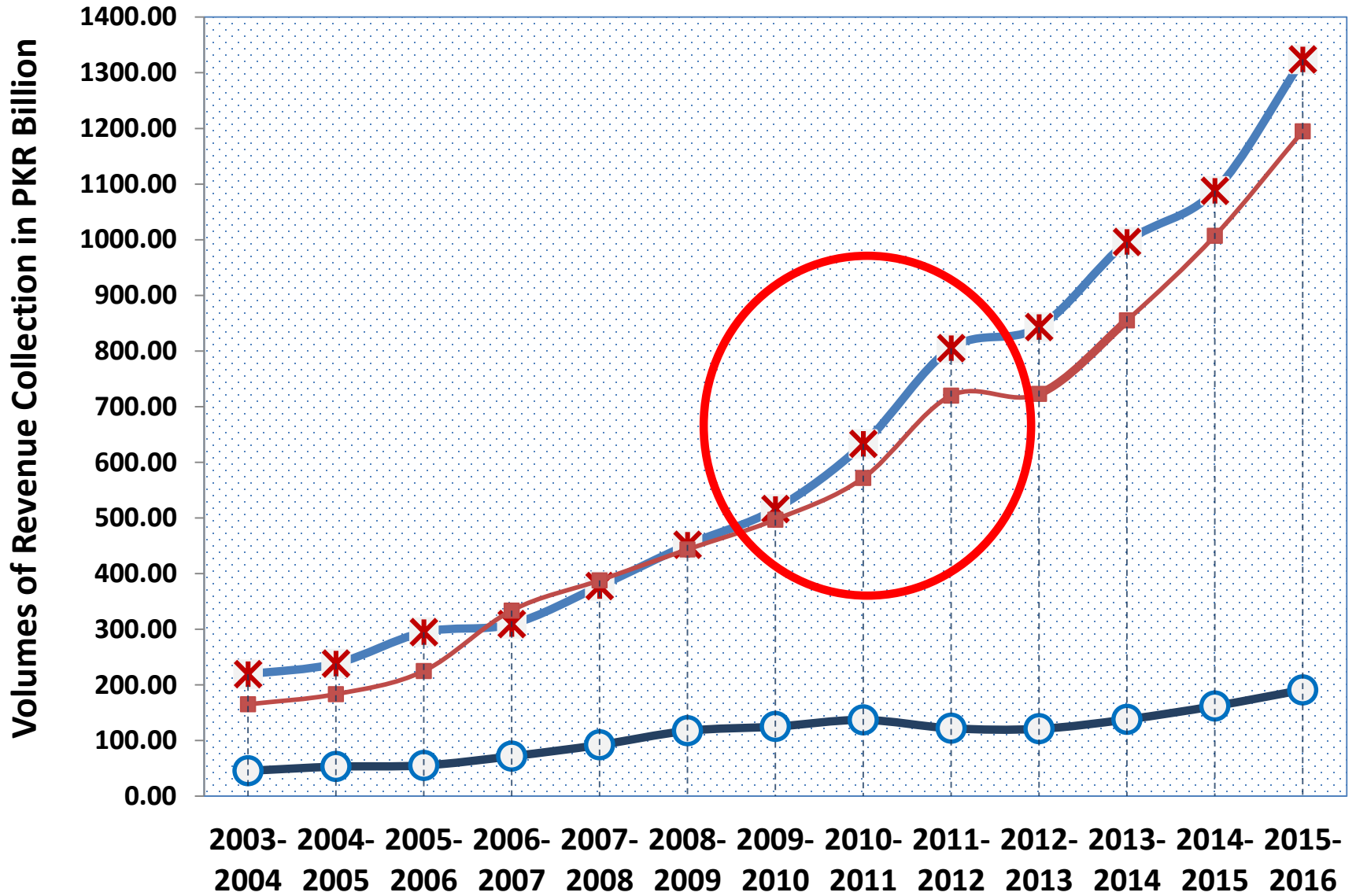


# Post-Integration Revenue Statistics

Years	Sales Tax	Income Tax	FED	Total
2003-2004	219.20	165.08	45.60	429.88
2004-2005	238.50	183.37	53.10	474.97
2005-2006	294.80	224.99	55.27	575.06
2006-2007	309.40	333.74	71.80	714.94
2007-2008	377.43	387.86	92.14	857.43
2008-2009	451.74	443.55	117.46	1012.75
2009-2010	516.00	497.00	125.00	1138.00
2010-2011	633.00	572.00	137.00	1342.00
2011-2012	805.00	720.00	122.00	1647.00
2012-2013	843.00	723.00	121.00	1687.00
2013-2014	996.00	855.00	138.00	1989.00
2014-2015	1088.00	1007.00	162.00	2257.00
2015-2016	1324.00	1195.00	191.00	2710.00

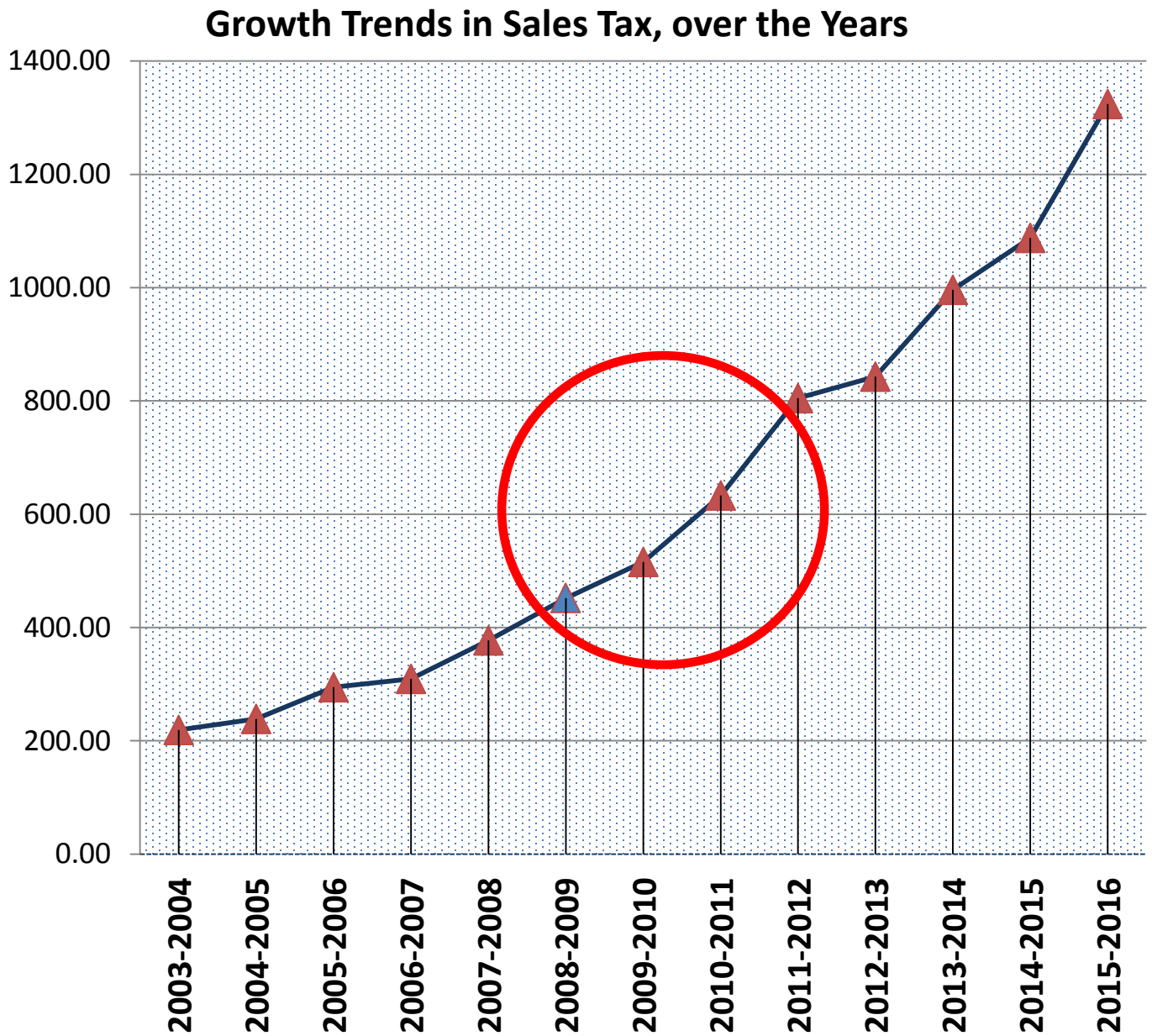


# Trends in Inland Revenue Collection, over the Years



**\* Sales Tax**    **■ Income Tax**    **○ FED**

Years	Sales Tax
2003-2004	219.20
2004-2005	238.50
2005-2006	294.80
2006-2007	309.40
2007-2008	377.43
2008-2009	451.74
2009-2010	516.00
2010-2011	633.00
2011-2012	805.00
2012-2013	843.00
2013-2014	996.00
2014-2015	1088.00
2015-2016	1324.00





# Emerging Challenges for Training Institutes

- ✓ The Training Methodologies, Contents etc. needed thorough Revamping, post-merger of all inland revenues;
- ✓ DGTR(IR) had limited resources in terms of world class faculty and upward revision of training methodologies
- ✓ Consequences of Insufficient Training of HR are multiple:
  - Revenue Leakages
  - Stagnant or Declining TAX-To-GDP ratios
  - Parallel / Undocumented Economies
  - Lack of Research during policy formulation etc





# Managing New Challenges

The emerging patterns of businesses & economic landscape and growing importance of Inland Revenues, call for:

- **A paradigm shift in HR Training**
- **Expansion of Skill Set of HR**
- **New Course Content Needs to be Added:**
  - Thorough command On Comparative Tax Laws
  - E-commerce and its impact on economy
  - Comprehensive expertise Of New Local/Global Trends in Tax Legislations
  - IPR violations by local businesses
  - Anti-money laundering
  - Be-nami transactions etc
  - Off-Shore Accounts and businesses
  - Cross-subsidization
  - Transfer-Pricing and much more.....



# Conclusion

**The Challenges and Opportunities Of Today's Business World, Economic complexities etc. require emphasis on training model with following key components:**

- New Course Content, aligned with today's businesses practices
- New Teaching Methodologies
- Case Studies
- Simulated Training Environment
- Research Tools and Techniques
- Scholarly, peer-reviewed research paper writing
- Sectoral Analysis of various Sectors of Economy
- Tax-Gap analysis
- Exposure to real-time business environment, i.e beyond class-room learning experience etc
- Tax Policy Formulation Training etc



# Proposal

The NSTF is proposed to be established through transformation of existing DGTR (IR), Lahore

## Fundamental objectives are:

- I. **Capacity Building** of IR's Workforce, through the use of advanced/rich curriculum, modern technological tools, coordinated/led by world class trainers from across the globe
  
- II. Enabling Pakistan to achieve the official status of **Regional IR Training Hub**, for neighboring countries e.g. Afghanistan, Sri-Lanka, Gulf States, Iran, India, China, Nepal, Bangladesh, Maldives, Bhutan, CARs, etc



# Proposal

Contd...

- The Transformed Academy for IR needs to incorporate best components / practices in world class academic institutions e.g:
  - University of Southern California: Masters in Business Taxation
  - Tax Academy of Singapore
  - Harvard Business School
  - Maxwell School, Syracuse University etc



# Rationale For The Transformation From DGTR (IR) to NSTF

- **Trade Between ECO Countries is announced to be Doubled (ECO-Summit 2017)**
- **Volumes of Economic Activity/ Trade is expected to increase due to CPEC**
- Globalization has created new patterns of financial transactions, taking place between principals and their subsidiaries, spread across continents
- Emergence of Multinationals, which often resort to complex tax planning for availing tax-benefits in a particular country
- The concept of IPR violation, Be-nami Transactions, Money Laundering practices etc. also need close attention
- Statistical Research-based Tax Policy Proposals is need of the hour



# **Local and Global Models of Training Academies**



# TRAINING ACADEMIES: LOCAL AND GLOBAL MODELS

**Foreign Service Institute, Pakistan caters to training needs of Diverse Audience i.e:**

- FSA trains Diplomatic Corp of Pakistan
- FSA also **trains a large number of international alumni**, many of them serving in responsible positions in their respective countries. These alumni are from 84 countries
- The **Junior Diplomatic Course** (JDC) and Advanced Diplomatic course are six-week long **programmes offered to foreign diplomats**
- In addition to diplomatic training courses at both mid-ranking and junior level for **foreign diplomats**, the Academy runs **Urdu language courses for resident diplomats**



# FOREIGN MODEL OF TRAINING ACADEMY: TAX ACADEMY OF SINGAPORE (TAS)

Tax Academy of Singapore is a not-for-profit institution set up by the Inland Revenue Authority of Singapore in collaboration with:

- The international accounting firms - Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers (**PWC**)
- The Institute of Singapore Chartered Accountants, Premier Centre for Tax Education and Regional Tax Knowledge Hub
- The Singapore Management University (**SMU**), for awarding Degrees





# Functions of Tax Academy of Singapore (TAS)

1. The Academy offers a **structured Tax Training Roadmap for tax professionals** to attain a high level of competency in local and international taxes
2. To serve as an **Enabler for Thought Leadership in Taxation Matters**
3. To undertake **policy-relevant and practice-oriented research** in international tax with particular focus on Asian economies and tax systems
4. To **Serve as Centre for Excellence for Research on Taxation and Allied Issues**



# **How to Transform???**

**The procedural requirements for the aforesaid transformation, are evaluated in the foregoing slides**



# PROCEDURAL REQUIREMENTS FOR THE NSTF

## Legal Requirements

- The proposal entails necessary modifications in the Charter of DGTR(IR) and constitution of Autonomous Board of Governors / Directors etc
- Spade work may be initiated to obtain academic / degree awarding status for NSTF

## Financial Requirements

- The Recurring Budget of DGTR(IR), Lahore, may be modified to cater for salaries of Faculty and Allied Admn. Expenditure
- Development Budget for proposed PC-I (**salient features and preliminary design has been developed by DGTR(IR)**)

## HR Requirements

- The proposal entails additional HR requirement i.e **part-time, full-time or visiting faculty**, from open market



# SUSTAINIABILITY MODEL FOR NSTPF

- **Financial Model:** A Professionally managed NSTF may generate surplus revenues by offering:
  - ✓ Customized Training Programs
  - ✓ Degree programs for internal
  - ✓ Customized Certificate courses for Officers, private candidates and Tax / Accounting / Finance Professionals etc
- **Regional Training-HUB:** Customized programs may also be offered, through bi-lateral agreement with foreign tax departments, for Training of their Tax Officers / Officials



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