



**Federal Board of Revenue**  
Revenue Division – Government of Pakistan

# **EASE OF DOING BUSINESS**

## **DOING BUSINESS REFORMS 2020**

**PRESENTATION BY ABBAS AHMED MIR  
CHIEF (BDT-IT)**

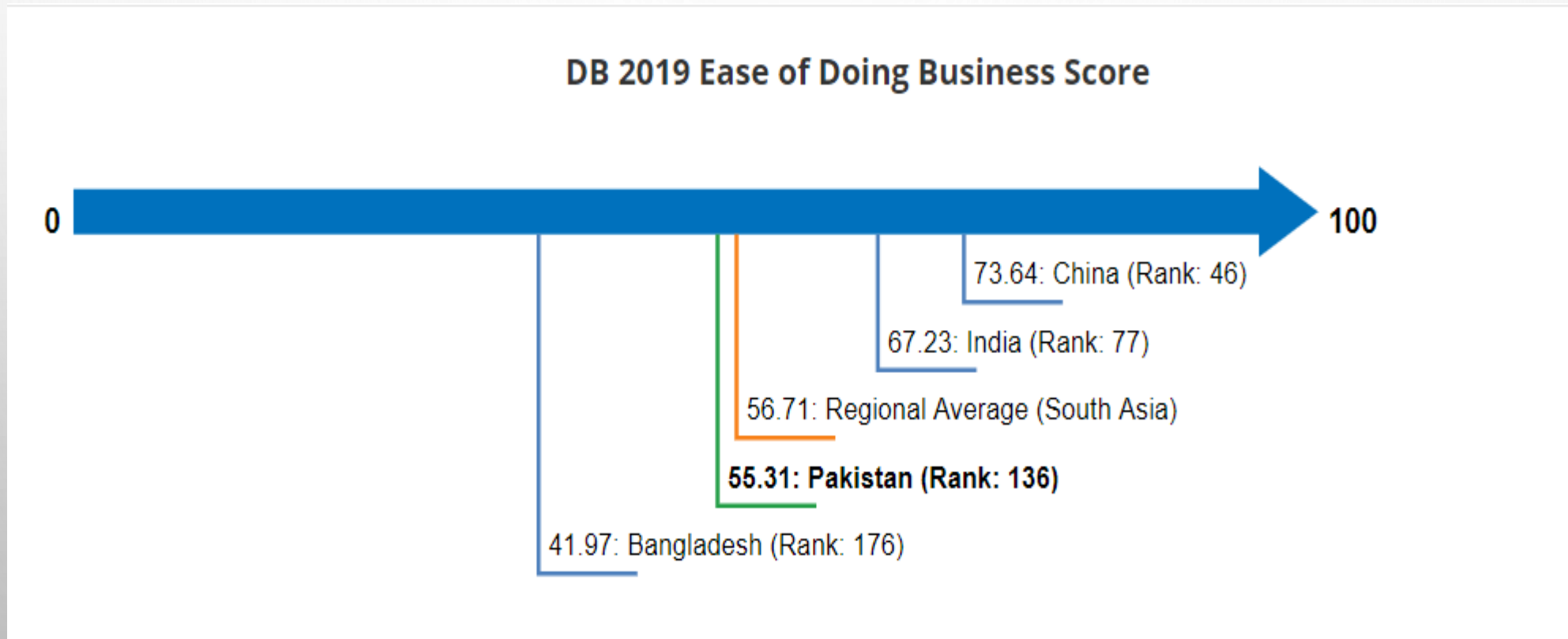
# **EASE OF DOING BUSINESS DOING BUSINESS REFORMS**

- OBJECTIVE MEASURES OF BUSINESS REGULATIONS AND THEIR ENFORCEMENT ACROSS 190 ECONOMIES AND SELECTED CITIES (KARACHI AND LAHORE)
- PROJECT LAUNCHED IN 2002
- TARGET: DOMESTIC SMALL AND MEDIUM-SIZE COMPANIES

# EASE OF DOING BUSINESS SCORE



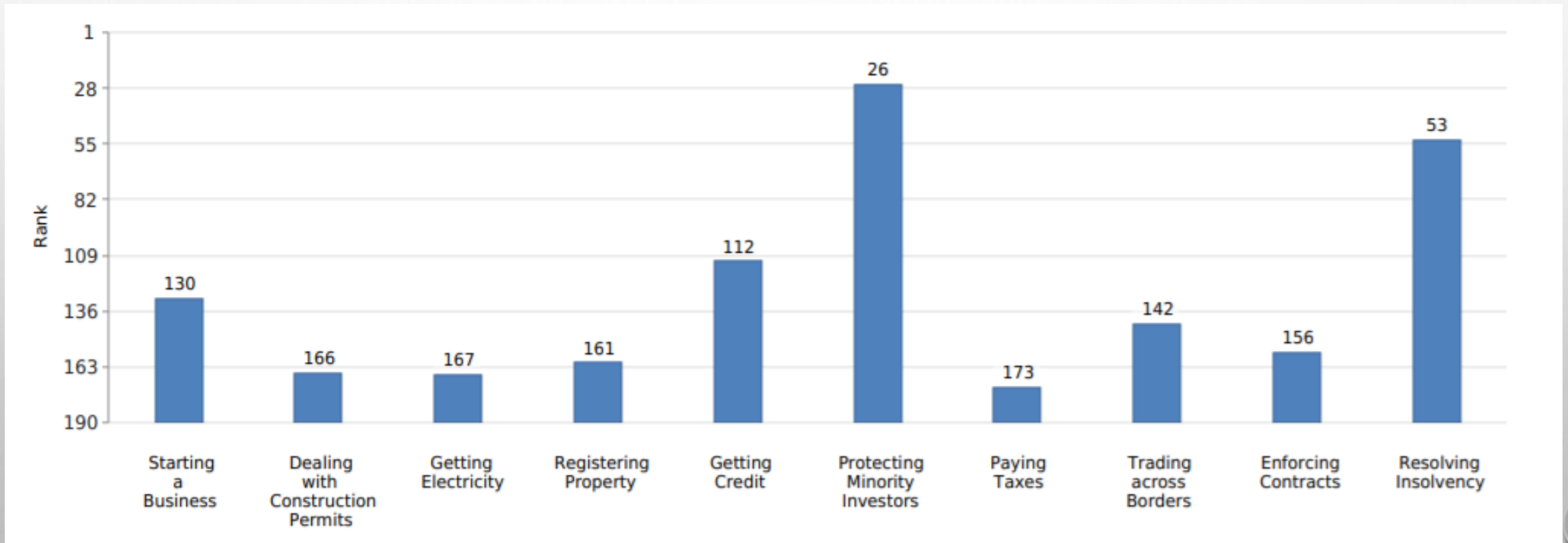
# COMPARISON IN REGION – RANKING AND SCORE



# DOING BUSINESS INDICATORS

- STARTING A BUSINESS
- DEALING WITH CONSTRUCTION PERMITS
- GETTING ELECTRICITY
- REGISTERING PROPERTY
- GETTING CREDIT
- PROTECTING MINORITIES INVESTORS
- **PAYING TAXES**
- TRADING ACROSS BORDERS
- ENFORCING CONTRACTS
- RESOLVING INSOLVENCY
- LABOR MARKET REGULATIONS

# RANKING ON DOING BUSINESS IN PAKISTAN





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# **PAYING TAXES**

# INTRODUCTION

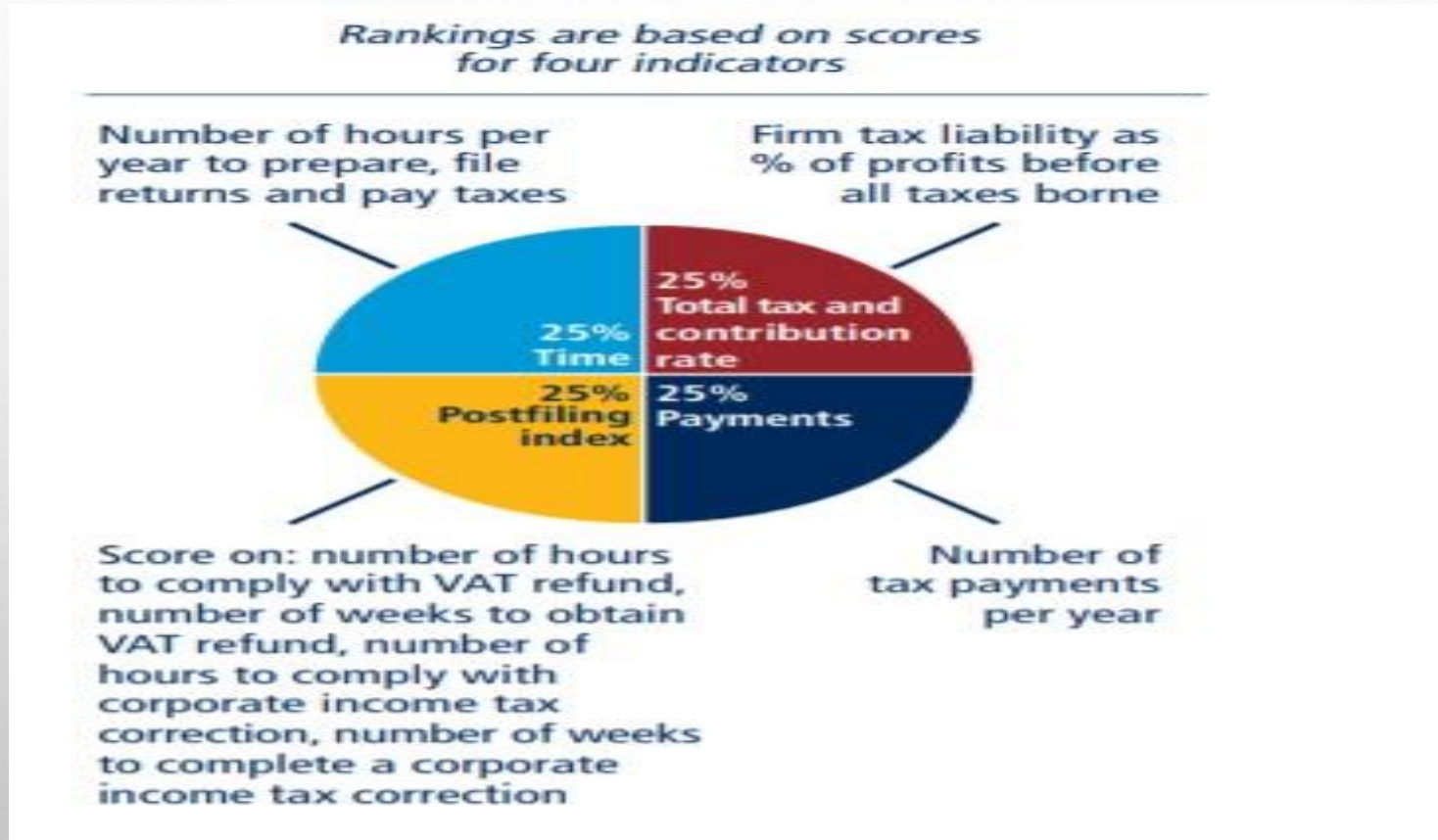
- TAXES AND MANDATORY CONTRIBUTIONS THAT A MEDIUM-SIZE COMPANY MUST PAY OR WITHHOLD IN A GIVEN YEAR
  
- TAXES MEAN
  - CORPORATE INCOME TAX
  - VALUE ADDED TAX OR SALES TAX
  - LABOR TAXES



# **MEASUREMENT OF PAYING TAXES**

1. TOTAL NUMBER OF TAXES AND CONTRIBUTIONS PAID
2. TIME REQUIRED TO COMPLY WITH TAXES
3. TOTAL TAX AND CONTRIBUTION RATE
4. POST-FILING INDEX

# MEASUREMENT OF PAYING TAXES



**RANKING BASED ON SCORES FOR FOUR INDICATORS**

# 1. TAXES AND CONTRIBUTIONS PAID

- METHOD OF PAYMENT
  - MANUAL OR ONLINE
- FREQUENCY OF PAYMENT
  - MONTHLY, QUARTERLY OR ANNUALLY
- WHERE ELECTRONIC PAYMENT IS ALLOWED, THE TAX IS COUNTED AS PAID ONCE A YEAR EVEN IF FILINGS OR PAYMENTS ARE MORE FREQUENT

# NUMBER OF TAX PAYMENTS

Tax Type	Payments (Number as per DB 19)	Responsible Agency
Corporate Income Tax	5	FBR
Pension Contributions	12	EoBI
Social Security Contributions	12	PESSI/SESSI Punjab/Sindh
Other Taxes	6	Punjab/Sindh
Goods & Sales Tax	12	FBR
<b>Total</b>	<b>47</b>	

## **2. TIME REQUIRED TO COMPLY WITH TAXES**

(TIME RECORDED IN HOURS PER YEAR)

- COLLECTION OF INFORMATION AND COMPUTATION OF TAX PAYABLE
- PREPARATION OF TAX ACCOUNTING BOOKS/AUDITED ACCOUNTS
- TIME TO FILE TAX RETURN
- ARRANGEMENT OF TAX PAYMENT

### **3. TOTAL TAX AND CONTRIBUTION RATE**

- PROVIDES A COMPREHENSIVE MEASURE OF THE COST OF ALL THE TAXES A BUSINESS BEARS
- INCLUDES PROPERTY TAX, PROFESSIONAL TAX, VEHICLE TAX ETC
- SUM OF ALL THE DIFFERENT TAXES PAYABLE AFTER ACCOUNTING FOR ALLOWABLE DEDUCTIONS AND EXEMPTIONS

## 4. POST-FILING INDEX

- FOUR COMPONENTS OF POST-FILING INDEX:
  - A. TIME TO COMPLY WITH VAT REFUND
  - B. TIME TO OBTAIN VAT REFUND
  - C. TIME TO COMPLY WITH A CORPORATE INCOME TAX CORRECTION
  - D. TIME TO COMPLETE A CORPORATE INCOME TAX CORRECTION

## **A. TIME TO COMPLY WITH VAT REFUND**

- TIME IS RECORDED IN HOURS
- TIME SPENT ON GATHERING VAT DETAILS
- TIME SPENT ON PREPARING VAT REFUND CLAIM
- TIME SPENT ON SUBMITTING VAT REFUND CLAIM
- TIME SPENT ON MAKING REPRESENTATION AT THE TAX OFFICE, IF REQUIRED



## CONTINUED

- IF REQUEST FOR VAT REFUND TRIGGERS AN AUDIT BY TAX AUTHORITY

Activity	Time Spent
If submission of documents is done electronically	0.5 hours
If refund is claimed automatically by the system	00 hours

## **B. TIME TO OBTAIN VAT REFUND**

- TIME IS RECORDED IN WEEKS
- TOTAL WAITING TIME TO RECEIVE A VAT REFUND FROM THE MOMENT THE REQUEST HAS BEEN SUBMITTED
- MANDATORY CARRY FORWARD TIME BEFORE A VAT REFUND IN CASH CAN BE PAID

## B. TIME TO OBTAIN VAT REFUND

Sr. No.	Activity	Time spent
1	If VAT refund claim is filed monthly	2.1 weeks
2	If VAT refund claim is filed bimonthly	4 weeks
3	If VAT refund claim is filed quarterly	6.5 weeks
4	If VAT refund claim is filed semi-annually	12 weeks
5	If VAT refund claim is filed annually	26 weeks
6	If VAT refund is not allowed on capital purchase	0.0 weeks

## C. TIME TO COMPLY WITH A CORPORATE INCOME TAX CORRECTION

- TIME IS RECORDED IN HOURS
- INCLUDES NOTIFYING THE TAX AUTHORITIES OF THE ERROR
- AMENDING THE RETURN
- MAKING ADDITIONAL PAYMENT

Sr. No	Activity	Time Spent
1	If corporate income tax return is corrected online	1.0 hour
2	If corrected income tax return is submitted online	0.5 hour
3	If additional tax payment is made online	0.5 hour

## **D. TIME TO COMPLETE A CORPORATE INCOME TAX CORRECTION**

- TIME IS RECORDED IN WEEKS
- INCLUDES THE TIME TO START AN AUDIT
  - FROM THE MOMENT THE TAX AUTHORITY HAS BEEN NOTIFIED OF THE ERROR IN THE INCOME TAX RETURN
  - UNTIL THE FINAL ASSESSMENT IS ISSUED BY THE TAX AUTHORITY

## **DIAGNOSIS OF THE PROBLEM**

- NUMBER OF TAX PAYMENTS NUMEROUS
- AMOUNT OF TAXES RELATIVELY HIGHER
- CORRECTION OF ERRORS TO BE MADE EASIER
- VAT REFUND ISSUES TO BE SOLVED



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# **REFORMS BY FBR PAYING TAXES**

# **ELECTRONIC FILING OF DECLARATIONS**

- INCOME TAX AND SALES TAX RETURNS FILED ELECTRONICALLY THROUGH FBR WEB PORTALS
- SYSTEM HAS BEEN STRENGTHENED BY INTRODUCING PREPARATION OF DECLARATIONS IN OFFLINE MODE FOR INCOME TAX RETURNS, SALES TAX RETURNS AND WEALTH STATEMENTS
- TAXPAYERS AND TAX AUTHORITIES SEND/RECEIVE CORRESPONDENCE ELECTRONICALLY THROUGH IRIS



## CONTINUED

- INCOME TAX LAW AMENDED - TAXPAYER CAN REVISE INCOME TAX RETURN ON HIS OWN (SECTION 114(6) OF THE INCOME TAX ORDINANCE, 2001)
- BEING ONLINE, TIME TO COMPLY WITH A INCOME TAX CORRECTION REDUCED CONSIDERABLY
- **POST-FILING INDEX** - ONE OF PAYING TAXES INDICATORS MADE EASY

# E-PAYMENT OF TAXES THROUGH ALTERNATE DELIVERY CHANNEL

- PAYMENT OF TAXES THROUGH INTERNET BANKING, ATM, MOBILE BANKING AND CONTACT CENTERS THROUGH ALTERNATE DELIVERY CHANNELS (ADC)
- INCOME TAX PAYMENTS REDUCED
- SALES TAX PAYMENTS REDUCED
- MOBILE WALLET APP TO BE LAUNCHED NEXT MONTH
- **TOTAL NUMBER OF TAXES AND CONTRIBUTIONS PAID** - ONE OF PAYING TAXES INDICATORS MADE EASY

# **E-PAYMENT COLLECTION USING ADC (MARCH 2018 TO MARCH 12, 2019)**

<b>Total Transactions</b>	<b>Total Amount (in mn)</b>
51566	73522.165
<b>WeBOC</b>	
<b>Total Transactions</b>	<b>Total Amount (in mn)</b>
21518	10969.293
<b>Iris</b>	
<b>Total Transactions</b>	<b>Total Amount (in mn)</b>
30048	62552.872

# E-PAYMENT OF TAXES THROUGH ALTERNATE DELIVERY CHANNEL - DEMO

# TAX PAYMENTS – CURRENT STATUS

Tax Type	Payments (Number as per DB 19)	Target	Status	Remarks	Responsible Agency
Corporate Income Tax	5	1	1	Target Achieved	FBR
Pension Contributions	12	1	1	Target Achieved	EoBI
Social Security Contributions	12	1	12	Target Not Achieved	SESSI Sindh
Other Taxes	6	6	6	Target Achieved	Punjab/Sindh
Goods & Sales Tax	12	1	1	Target Achieved	FBR
<b>Total</b>	<b>47</b>	<b>10</b>	<b>21</b>		

# CORPORATE TAX RATES

- TAX RATE IS CONSTANTLY DECLINING

Sr.No.	Tax Year	Corporate tax	
		Normal (%)	Small company(%)
1	2018	30	25
2	2019	29	24
3	2020	28	23
4	2021	27	22
5	2022	26	21
6	2023	25	20

- **TOTAL TAX AND CONTRIBUTION RATE** - ONE OF PAYING TAXES INDICATORS

MADE EASY

# VAT REFUNDS

- ZERO RATED SUPPLIES - NO CARRY FORWARD PERIOD
- 85% OF THE REFUND CLAIMS FILED ONLINE
- SCOPE OF EXPEDITIOUS REFUND SYSTEM (ERS) ENHANCED
- VAT REFUND CLAIM DOES NOT TRIGGER AUDIT
- QUEUE BASED RPO
- REFUND PAYMENT THROUGH DIRECT BANK TRANSFER
- **POST-FILING INDEX** - ONE OF PAYING TAXES INDICATORS MADE EASY

# VAT REFUNDS

<b>DETAIL OF VAT REFUND CLAIMED DURING FY 2017-18</b>			
<b>Sr. No.</b>	<b>Break up</b>	<b>No. of Claim</b>	<b>Percentage</b>
1	ERS	16745	85
2	Manual	3003	15
3	Total	19748	100
<b>BREAKUP OF ERS CLAIMS</b>			
		<b>No. of Claim</b>	<b>Percentage</b>
1	Cleared	5304	32%
2	Rejected	11441	68%
		16745	100%



The background features a light gray gradient with several realistic water droplets of various sizes scattered in the corners. The droplets have highlights and shadows, giving them a three-dimensional appearance. The text 'THANK YOU' is centered in a bold, black, sans-serif font.

**THANK YOU**