FBR NEWSLETTER



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Editor's Note

by Dr. Faiz Illahi Memon

It gives me immense pleasure to note that the November 2020 edition of the FBR Newsletter highlights the efforts undertaken by FBR to kick start operations at the Gwadar port. The operations at the Gwadar port will be the cornerstone for a new era of growth and prosperity especially for the people of Baluchistan. To further supplement trade facilitation, an Authorized Economic Operator Pilot project has been established at Karachi inline with best international practices and World Customs Organization (WCO) security standards. Initiatives such as these have helped catapult Pakistan's World Trade Organization implementation index for trade facilitation.

Furthermore, important MoUs were signed with NADRA for real-time processing of information and Bahira University's leadership development program for professional development of its officers. Besides this, concerns of Karachi & Lahore Tax Bar Association have been addressed.

In order to ensure a strict no corruption policy, FBR has also issued Terms of Reference for Integrity Management Cell and Regional Integrity Committees.

Chairman's Message



by Muhammad Javed Ghani

Pakistan has taken significant strides on World Trade Organization (WTO) implementation index for trade facilitation. This success would not have been possible without the efforts of FBR. The "Taxpayer First" attitude of the organization has not only improved Ease of Doing Business (EoDB) for our business/trade community but also validated FBR's efforts by recognition afforded to Pakistan by international trade bodies.

FBR is cognizant of the fact that in order to progress on the road to prosperity not only would the organization move with the changing times embracing new methodologies and technological advancements but also ensure that the business/trade community needs are kept at the forefront.

To continue building on such success, FBR has developed E-Commerce Automated Clearance System and signed an MoU with NADRA regarding real-time verification of CNICs and associated details. These steps have been initiated to keep FBR ahead of the curve in delivering the best service to Taxpayers and the relevant stakeholders.

In order to maintain the highest standard of service delivery the personnel at an organization's disposal must posses the qualities and display the commitment expected of the best talent the country has to offer. The MoU signed with Bahria University 's Leadership Development Center and the Terms of Reference issued for Integrity Management Cell & Regional Committees will ensure that the talent at FBR's disposal is able to perform to the very best of their abilities in accordance with the changing landscape and display the highest level of professionalism expected of those deemed to be the very best at what they do.

The men & women at FBR continue to perform their duties with utmost dedication even in the face of new wave of COVID-19. The resolute display of leaving no stone unturned in ensuring that FBR successfully lays the groundwork for a prosperous Pakistan becomes a distinct reality as evident by the recent successes acknowledged by leading international bodies.

FBR's MILESTONES

- International Transit Activity - Gwadar
- Authorized Economic Operator Pilot Project
- Rise of Pakistan in Implementation Index of WTO's Trade Facilitation Agreement
- Redressal of issues of Karachi Tax Bar and Lahore Tax Bar Association
- Development of E-Commerce Automated Clearance System
- MoU with NADRA regarding real-time verification of CNICs and associated details
- Terms of Reference for Integrity
 Management Cell & Regional Integrity
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- DGTR (IR) & Bahria
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- E-filing of Income Tax Appeals
- Physical survey of business community launched within the jurisdiction of Islamabad
- Establishment of Tractors' Subsidy Cell
- Single-page simplified Income Tax Return for SME manufacturers having turnover up to Rs. 50 million

International Transit Activity - Gwadar



Under the directions of the Prime Minister of Pakistan to kick start operations at the Gwadar Port, Federal Board of Revenue has taken the initiative which resulted in arrival of the first fish carrier containing 200 Tons of fish from international waters at Gwadar. The fish will be shipped to China in reefer containers opening a new era of prosperity and growth for the people of Baluchistan and the economy of the country. Pakistan Customs is all geared up to realize the vision of the Prime Minister Imran Khan for transforming Gwadar into an International Transit trade Hub and facilitate trade through Gwadar Port. FBR has already notified International Transshipment Rules vide SRO 218(I)/2020 dated 10.03.2020. A dedicated Directorate of Transit Trade has also been established at Gwadar to work closely with the stakeholders and transform Gwadar into a Transit trade hub.



As a result of this proactive approach and support of all stakeholders, in the coming days, more vessels containing international cargo including LPG, Steel Pipes, DAP fertilizer for transit to Afghanistan is scheduled to arrive at Gwadar Port. This reflects the confidence of the international business community and shipping lines in the economic potential of the Port and excellent trade facilitation measures put in place by Pakistan Customs. Gwadar is the future of Pakistan and will help the country in earning much needed foreign exchange in the future. During the recent visit of a high-level Pakistani delegation to Afghanistan led by Advisor on Commerce, the Afghan businessmen have shown interest in making investment for trade through Gwadar Port.

Dr. Waqar Masood addresses FBR officers











Special Assistant to Prime Minister on Revenue, Dr. Waqar Masood, addressed FBR officers at FBR HQs and those at various field offices through video link. He emphasized the need to embrace technological advancements in order to unlock country's potential revenue capacity. The use of technology would also help document the economy helping to formulate a far more inclusive strategy to help businesses prosper and aid overall economic growth.

Authorized Economic Operator (AEO) Pilot Project

Pakistan Customs has launched first trade facilitation program of its kind under the name and banner of "Authorized Economic Operators" through operationalization of "AEO Pilot Project" at Karachi. The program has been chalked out in line with best international practices and in accordance with WCO security standards. Under the program, Govt. will certify trustworthy business entities which have a clean history of compliance with national laws and, in return, a policy of non-interference will be adopted by the departments toward such entities so that they could concentrate on their growth. AEO Program is a great step towards traders' facilitation and ease of doing business as "red tapism" of departments will be replaced with "red carpet" for the trustworthy business entities.



AEO Pilot Project is the first step that has been launched at Model Customs Collectorate of Port Mohammad Bin Qasim Karachi through inclusion of M/s Artistic Denim Mills Karachi that is a renowned manufacturer-cum-exporter of textile sector. Initially, AEO Pilot Project has been launched at export stage and gradually other areas of supply chain will be brought under the Pilot Project and eventually AEO Program will be rolled out for the facilitation of business community. The traders and various chamber associations have appreciated the AEO initiative of the Govt. and expressed that it was the first initiative of its kind which aims at recognition of trusted business partners at Government level and entails benefits from all departments. Such unique initiative, the business community hoped, has great potential to boost export oriented businesses which are the backbone of national economy.

Adviser to PM on Finance & Revenue chaired a virtual meeting of FBR Technical Committee

Adviser to the Prime Minister on Finance and Revenue, Dr. Abdul Hafeez Shaikh, chaired a virtual meeting of FBR Technical Committee today. Chairman FBR Muhammad Javed Ghani and other senior officials participated in the meeting. Mr. Abid Shaban, Chairman of the Committee gave a detailed presentation during the meeting.

During the meeting 'FASTER' system of Sales Tax Refund for exporters was appreciated. It was agreed that both the FASTER and Rebate Systems would be fine-tuned for more efficient results on priority basis.

Rise of Pakistan in Implementation Index of WTO's Trade Facilitation Agreement

THE WTO TRADE FACILITATION AGREEMENT



Pakistan has considerably improved its implementation of <u>World Trade Organization (WTO)</u>'s <u>Trade Facilitation Agreement (TFA)</u> from 34% in June, 2018 to 79% in November, 2020. Due to improvement in the implementation of TFA, Pakistan has improved 31 positions in <u>Trading Across Border Index</u> which tangibly contributed to rise of Pakistan (from 136th position to 108th position) in the <u>Global Fund's Annual Ease of Doing Business 2020 Report</u>. Implementation of WTO's TFA by Pakistan is greater than regional countries like India and Bangladesh whose implementation rate is 78.2% and 36.1% respectively. Pakistan's implementation rate is higher than those of average of all WTO members (which is at 65.5%) and the average of all developing countries (which is at 65.2%).

Developing and LDC Members can request more time and capacity building support to implement the Agreement. To benefit from these flexibilities, they must designate all measures into categories A, B and/or C which have the following implementation timings:

CATEGORY A = developing Members will implement the measure by 22/02/2017 and LDCs by 22/02/2018

CATEGORY B = Members will need additional time to implement the measure

CATEGORY C = Members will need additional time and capacity building support to implement the measure

Besides the notification of categories A, B and C designations, the TFA sets out different timelines for the notification of indicative and definitive dates for implementation of categories B and C commitments as well as the technical assistance required for the implementation of category C commitments.

Notification Tracker

How many Members have presented implementation notifications?

Category A	Category B	Category C	Not yet notified any designation
121	105	95	4

Source: Notifications Dashboard - Trade Facilitation Agreement

Trade facilitation is an effective driver for stimulating economic activity, attracting foreign direct investment, promoting exports and generating employment. In line with the direction of the Prime Minister to thoroughly facilitate the trade (involved in imports, exports, and transit) for achievement of the strategic objectives of economic and export-led growth, Pakistan Customs, Federal Board of Revenue followed an integrated plan. The Chairman, Federal Board of Revenue specifically designated dedicated project teams under Member (Customs) to ensure implementation of World Trade Organization (WTO)'s Trade Facilitation Agreement (TFA) in Pakistan. The teams worked industriously and all this has resulted in substantial implementation (and compliance with) the TFA and have comprehensively facilitated national / regional / international trade.



TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org

Source: Timeline of implementation commitments - Pakistan / accessed on 11.25.2020

The implemented salient TFA reforms / provisions include, Authorized Economic Operators (AEO) Program, Advance Ruling, Electronic payments, Pre-Arrival Processing, Freedom of Transit, Opportunity to Comment and Information before Entry into Force, Temporary Admission of Goods and Inward and Outward Processing, Risk Management and Post Clearance Audit. According to the WTO, amongst the most difficult-to-implement (and least notified) provisions are Single Window and Border Agency cooperation. Despite it, significant work has been done on these important areas with the help of the World Bank and the Asian Development Bank and these provisions would be implemented in Pakistan well within timelines.

Rate of implementation commitments



Source: Rate of implementation commitments - Pakistan

Implementation of WTO's TFA by Pakistan is acknowledged worldwide. According to the World Bank, Pakistan has made the top 10 list of governments that have done the most in the past year to improve the ease of doing business in their countries. OECD Trade Facilitation Indicators Data Base (2019) has acknowledged Pakistan's best performance across the areas under TFA. Moreover, The World Customs Organization (WCO) has stated that "considering the recent advancement of Pakistan Customs administration for proceeding TFA, Pakistan Customs administration is very suitable to be listed in the successful countries. Pakistan Customs, Federal Board of Revenue is committed to implement the vision of the Prime Minister of Pakistan not only to transform / upgrade the facilitation level for the trade but also to make Pakistan a regional hub of the trade activities.

Meetings with the representatives of Karachi Tax Bar and Lahore Tax Bar







Meetings with the representatives of Karachi Tax Bar Association (KTBA) and Lahore Tax Bar Association (LTBA) were held at FBR (HQs) Islamabad to discuss IRIS and filing of Income Tax returns related issues. The meetings were organized by Inland Revenue Operations Wing and was attended by the relevant officers of Inland Revenue Operations, Information Technology and Policy Wings of FBR. The representatives of KTBA and LTBA were appreciative and satisfied with prompt measures to address the issues raised.

Time frame for filing Annex-H for the Commercial Exporters amended

Commercial exporters are an important limb of the overall export body of Pakistan. Availability of Exports Proceeds Realization Certificate also known as Bank Credit Advice (BCA) is one of the important checks that are required for processing of sales tax refund claims of commercial exporters. During recent meeting of Dr. Muhammad Ashfaq Ahmed, Member (IR-Operations) with export bodies at Karachi, it was noted that in case of commercial exports, BCA is generally received in six months (one hundred and eighty days) and this time frame is also recognized by the State Bank of Pakistan.

The Refund Rules, however, require filing of refund claim within 4 months (one hundred and twenty days) for all types of exporters. This was a difficulty specific to commercial exporters. Realizing the business need, Board has amended the time frame for filing Annex-H for the commercial exporters vide notification SRO.1172(1)/2020 dated 04.11.2020. It is believed that this step would encourage and facilitate them and help exporters to find new markets and expand Pakistan's export base at a rapid pace.

FBR inks MoU with NADRA & significant facilitative initiatives



Federal Board of Revenue under the guidance of Special Assistant to Prime Minister on Revenue, has signed an MoU with NADRA for real-time verification of CNICs and associated details. Linking NADRA and FBR systems will help improve FBR's service delivery standards for taxpayers as it will help to automate tax refunds prefill data in withholding statements and tax returns. It will also promote ease of doing business by saving time spent in regulatory compliance. In addition, this data linkage will facilitate onward linking of FBR's system with other organizations. This has a huge potential for identification of persons who are either outside the tax net or conceal their income and assets.

FBR in collaboration with PRAL, has launched a single-page simplified Income Tax Return for SME manufacturers having turnover up to Rs. 50 million which can be availed by individuals and AOPs. Likewise, FBR has upgraded Iris system with the help of PRAL for issuing SMS and e-mails whenever any notice is issued or any assignment is created by Tax officer.

Exemption/reduced rate certificate on payment to non-resident under section 159/152 of the Income Tax Ordinance. Similarly, reduced rate certificate under section 159/236(v) of the Income Tax Ordinance, 2001 has been enabled in Iris. Furthermore, upgradation of system for registration of Builders/Developers.

E-Commerce Automated Clearance System

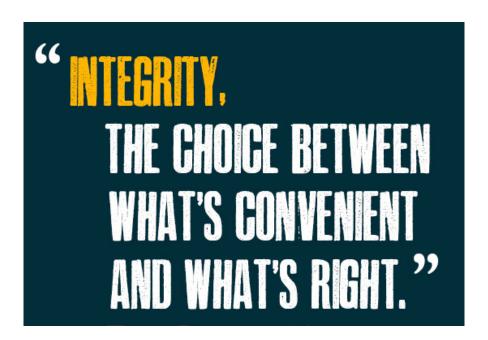
To promote Business to Consumer E-Commerce exports in Pakistan, Pakistan Customs has developed an E-Commerce automated clearance facility in collaboration with Sate Bank of Pakistan, Ministry of Commerce and E-commerce operators. The new system will facilitate the e-Commerce trade and document the E-Commerce exports from Pakistan. The system allows commercial banks to register E-Commerce traders in WeBOC system of Pakistan Customs. Under the SBP regulatory framework for B2C E-Commerce exports, the exporters shall export their E-Commerce consignments without the requirement of E-Form up to USD 5000 per consignment.

The E-Commerce operators have lauded the initiative that will remove the difficulties faced by SME sector in exporting their goods thus playing an effective role in improving country's rating in the Ease of Doing Business index. Training sessions have been conducted by Pakistan Customs in collaboration with State Bank of Pakistan and Ministry of Commerce.

Terms of Reference for Integrity Management Cell & Regional Integrity Committees

Federal Board of Revenue (FBR) has issued the Terms of References for the established Integrity Management Cell and Regional Integrity Committees. According to the ToRs, the Integrity Management Cell will be headed by a BS-21/22 officer of IRS/Customs who will be assisted by two Chiefs (one each from customs & IRS), two Secretaries (one each from customs & IRS) and as much supporting staff as is required. All the chairpersons of RICs shall report directly to In-charge, IMC in all matters.

A complaint against an employee of FBR can be submitted in person either directly to the IMC at FBR (HQ) or to any of the designated RIC through email or in writing along with credentials of the complainant including his name, CNIC, Cell Number, mailing address and an affidavit in writing, certifying the genuineness/Correctness of the contexts of complaint.



The complaint can be lodged by emailing at complaints@fbr.gov.pk, through FBR Online Portal, by submitting a hard copy of the complaint through post addressed either to chairman FBR, In-charge IMC or Chairperson of the RIC. The complainants can also directly meet with Secretary/Chief (IMC) or chairperson of RIC for lodging complaint. The Complaints can also be forwarded from PM Portal.

The ToRs have also mentioned about the establishment of "Probe Committee" which will comprise of Chief (IMC), Chief (Mgt) concerned, Second Secretary/Secretary (IMC) and representative from the field formation, if required.

The ToRs also define the general principles for inquiry and probing complaints. The Regional Integrity Committees shall submit a monthly report including the total number of complaints received, disposed and pending to the Integrity Management Cell.

DGTR (IR) & Bahria University's Leadership Development Center sign MoU



A Memorandum of Understanding (MoU) has been signed between the Directorate General of Training and Research (Inland Revenue), Lahore (DGTR-IR) and Leadership Development Center (LDC), Bahria University, Islamabad.

The MoU will provide avenues to both institutions for cooperation in areas of officers' professional development in Accounting Finance & Management, existing Sectoral Expert Knowledge, establishment of Research and Financial Data Centers and formulation of prudent case studies. The MoU will prove to be instrumental in FBR's effort to transform itself into a research oriented, data backed, efficient tax collection agency.

Autonomy of FBR in Litigation Matters: Change in Rules of Business

The Member (Legal) and his team made continuous strenuous efforts for autonomy in appointment of Legal Counsels of Federal Board of Revenue. Ultimately, the Legal Wing succeeded in getting approval of the Prime Minister and his Cabinet for change in Rules of Business, 1973 and now the Secretary Revenue Division/Chairman FBR is fully empowered to decide its prosecution and defense of legal proceedings concerning Secretary Revenue Division including appointment of the Legal Advisor/Advocates.

FBR takes lead in providing e-filing of Income Tax Appeals

The Federal Board of Revenue is in the process to automate the Commissioner IR (Appeals). The FBR held Webinar to introduce the automated system of e-filing of appeals to be launched soon. The automation of the system will enable the taxpayers to e-file appeals against orders by income tax authorities on the Iris Web Portal and will also facilitate the Commissioner IR Appeals to efficiently dispose off the appeals using Iris Portal. It will also minimize the physical contact with the taxpayer, facilitate filing of appeal, reduce the cost of filing appeal and will ensure efficient service delivery with transparency. The taxpayer will be able to file appeals, application for condonation, rectification, stay and additional grounds from the comfort of its office. The pilot project has also been run successfully and process of amendment in Relevant Rules is also completed. The roll out is expected by Jan, 2020.

Federal Tax Ombudsman Corum non Judice in Finalized-Refund-Cases

The Commissioner Inland Revenue, (Appeals-V), Lahore has successfully defended the stance before the Hon'ble Federal Tax Ombudsman that once an order under section 170 of the Income Tax Ordinance, 2001 has been passed or rectified under section 221 of the Ordinance ibid the office of FTO becomes corum non judice and the matter becomes appealable. In this case the lady officer after six months legal contest was able to get the order in favor of the department.

Landmark Judgment on Section 11 of The Sales Tax Act, 1990



Landmark judgment on Section 11 of the Sales Tax Act, 1990 in Civil Petition No.398-L/2018 was issued by Hon'ble Supreme Court on 18.09.2020. It was the outcome of untiring efforts of the Member (Legal) and his team who played a significant role in assistance to the Supreme Court of Pakistan.

It is imperative to mention that hundreds of cases were being decided against the department at various fora because the Hon'ble High Courts at Lahore and Islamabad gave verdicts that the Inland Revenue Officers could not invoke Section 11 of the Sales Tax Act, 1990. The Hon'ble Court accepted the stance of the department in detailed order, dated 18.09.2020 made the following observations:

"20. Therefore, in the light of our discussion that there could not have been any delegation of the power of issuance of show cause notice in relation to assessment and recovery of tax by the FBR, which is actually conferred upon the OIRs by Section 11 of the Act, it is plain that the exercise of such powers by the OIRs forms a part of their functions under the Act. Accordingly, the opinion that Notification-I is the only source of vesting of powers in OIRs is incorrect. This view overlooks the effect of Section 31 of the Act and the proper meaning of the term functions' used in Section 30(2A) to (3) ibid. The impugned judgment has therefore failed to correctly appreciate the law discussed above. As a result, it is set aside. Accordingly, all these connected petitions are converted into appeals and allowed."

Physical survey of business community launched within the jurisdiction of Islamabad

Physical survey of business community working within the jurisdiction of Islamabad launched to check whether withholding tax has been deducted and deposited by the businesses operating in rental buildings. The deputed teams of the Regional Tax Office (RTO) Islamabad, visited various markets of the federal capital and requested the businessmen to fill the mandatory survey form and submit the same to the concerned tax officials. The survey form seeks business details, rent payments and building owner details etc.

Establishment of Tractors' Subsidy Cell

The Federal Board of Revenue (FBR) has decided to establish a Tractors Subsidy Cell for tractors' manufacturers for processing of adjustment of subsidy against sales tax on locally-manufactured tractors. The FBR has issued the Sales Tax Special Procedure for Adjustment of Subsidy Against Sales Tax on Locally Manufactured Tractors Rules, 2020. These rules shall come into force from September 28, 2020, and shall remain in force till June 30, 2021, or till the time, the amount of subsidy of rupees one and a half billion is exhausted, whichever is earlier.

FBR appreciates the services of Dr. Jamal Yousaf



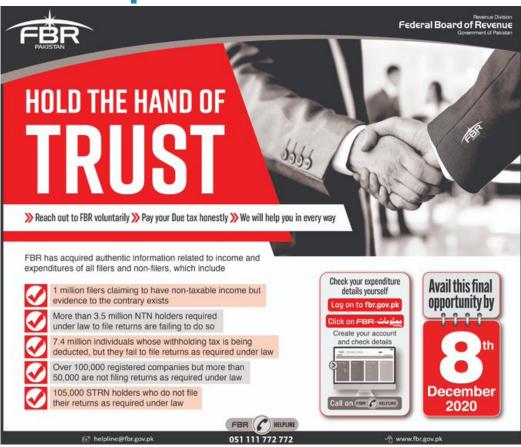






Federal Board of Revenue (FBR) has acknowledged and appreciated the services of retiring Additional Secretary, Revenue Division . FBR Chairman Muhammad Javed Ghani presented shield to the retiring Additional Secretary.

People You Can Trust



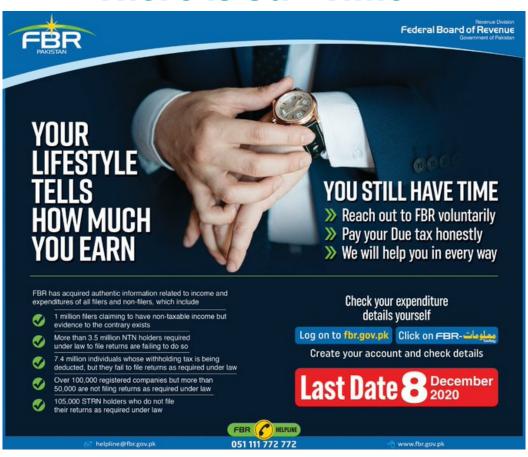


No Place To Hide





There is Still Time





Last & final date to file Income Tax Returns



Your Contribution

You can also be part of this newsletter by sharing contribution relevant to your office that has helped FBR propel towards its goal of becoming an organization that values a service oriented culture, where the taxpayer comes first.

You can share your contribution via email @ fbrnewsletter@fbr.gov.pk



Feedback

Your feedback is extremely important in helping us improve the communication process between FBR and its family. We would like your suggestions, comments and valued advice in helping to further improve the newsletter.

You can send in your feedback to newsletterfeedback@fbr.gov.pk





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