

E-monitoring of tobacco production: FBR to convene stakeholders' meeting

The Federal Board of Revenue (FBR) will convene a meeting of all the stakeholders of the tobacco industry for proposed implementation of electronic monitoring of production in the industry through tax stamps /track and trace system.

Sources told *Business Recorder* here on Wednesday that the decision has been taken during the last meeting of high-powered implementation committee of Tax Reforms Commission (TRC), held at FBR House. In the previous meeting of the Tax Reform Implementation Committee (TRIC), it was decided that the process of submission of bids for provision of tax stamps /track and trace system for the tobacco industry be completed by 15th June, 2017. Haroon Akhtar Khan, Special Assistant to the Prime Minister on Revenue, had also stressed that maximum transparency be ensured in the entire process.

The chairman FBR apprised the committee that the headway previously made in this respect was fraught with various weaknesses and lacunae because all the relevant stakeholders were not consulted and the tobacco industry itself has reservations regarding the bidding process. It was also pointed out by him that the Public Accounts Committee and various other stakeholders were also voicing concerns regarding the procedural lapses in this respect. He also pointed out that no financial model for the project was prepared and that was a serious flaw in implementation of the project. The chairman FBR stressed that it was imperative that all the prevalent laws, rules and regulations be stringently followed to make the process as transparent as possible. He was of the opinion that the process initiated earlier be revisited after consultative process with all stakeholders. He also submitted that the actual implementation of the committee itself encompassed monitoring of the progress made on its recommendations.

TRC Members Ashfaq Tola and Abid Shaban apprised the committee that in that opinion the process initiated earlier in this respect did not suffer from any weaknesses and that the REP in the instant case was technically sound and one of the best they had ever seen. Abid Shaban drew attention towards the fact that the tobacco industry was a very powerful lobby and that illicit tobacco was causing a considerable drain of approximately Rs 40 billion to Rs 60 billion to the exchequer.

The SA to the PM also concurred that illicit cigarette trade had caused a major setback to revenue collection and that only now were some positive results forthcoming subsequent to introduction of the third tier of federal excise duty in respect of cigarettes. He was also of the opinion that the bidding process initiated earlier should not be scrapped altogether, rather, the procedural lapses, if any, should be corrected and the objections regarding the RFP be removed so that the matter is expedited. The Member (IR-Ops) pointed out that in order to tackle this issue effectively it should be borne in mind that about 60 factories in AJK were also involved in illicit cigarette production and such activities were not just restricted to KP.

It was decided that the chairman FBR will convene a meeting of all the stakeholders of the tobacco industry in the first week of October 2017 regarding proposed implementation of electronic monitoring of tobacco. It was also decided that all procedural lacunae and weaknesses if any, in the REP/bidding process initiated earlier shall be removed and it shall be ensured that the same is in accordance with the prevailing laws and regulations.

Copyright Business Recorder, 05/10/2017