

BTB objectives: TRC suggests 'spot assessment' of new taxpayers

The Tax Reforms Commission (TRC) - a high-powered implementation committee - has proposed 'spot assessment' of unregistered or new taxpayers to the government in order to bring them into the tax net to achieve overall objectives of broadening the tax base (BTB).

Sources told *Business Recorder* that the idea of "spot assessment" was discussed during the last meeting of tax reforms implementation committee (TRIC), which was held by the Federal Board of Revenue (FBR) . TRIC discussed idea of "spot assessment" of unregistered or new taxpayers with right to file an appeal after payment of 50 percent of the tax demand raised against them by the FBR.

The FBR Member (Legal) argued that negligible tax returns were filed in response to FBR notices, which necessitate that the provision of "spot assessment" should be undertaken with right to file an appeal after payment of 50 percent of the tax demand. Tax authorities argued that capturing and utilization of data related to property could prove to be of great benefit.

The FBR has also started a new exercise in Karachi to register potential taxpayers on the basis of TR (Temporary Registration) numbers for which legal cover has been provided under the law. In Karachi an initiative was made to book new taxpayers on the basis of TR (Temporary Registration) number and necessary amendment in the relevant rule was also made by the policy wing of FBR to provide legal cover to this exercise.

When contacted, sources said that the Directorate General Broadening of Tax Base (BTB), FBR has launched an aggressive campaign to expand the tax base by assigning a target of 0.2 million new taxpayers during 2017-18.

When asked about estimated revenue collection from expansion of tax base, sources said that the expansion of tax base has not been linked with any kind revenue targets. However, a meaningful BTB exercise would ensure filing of returns along with payment of taxes. Secondly, once returns have been filed by a new taxpayer, return filing must continue in coming years. These are the two main objectives of the BTB exercise, but no revenue collection targets have been assigned from BTB, sources added.

0.2 million potential individuals would be brought into the tax net during 2017-18 under the central stream using bulk data; and at the same time, 25,000 to 50,000 potential cases are expected to be unearthed by the field formations of the DG BTB.

According to sources, the concept of the BTB exists in the Income Tax Ordinance, 2001. Under the revamped regime, the BTB centers would be established within RTOs and once the BTB units become fully functional, these units would be detached from the RTOs and made full-fledged part of the BTB. Later, these units would work as independent BTB Centers on need assessment basis.

Tax authorities' recommended that BTB organization should work on a permanent basis with a dedicated workforce. The uniformity in the functions of the BTB's field formations would facilitate the RTOs to focus on their core function of revenue collection and recovery of taxes. The DG BTB would be a support organization of the Inland Revenue which would work on continues basis across the country.

In the first phase, three major BTB Centers would be established at Karachi, Lahore and Islamabad. In the second phase, BTB Centers would be set up at Hyderabad, Multan, Faisalabad, Gujranwala and Rawalpindi and Peshawar. In all these cities, exclusive BTB setups would be established. In the third stage, the BTB units would be established at Sukkur, Sargodha, Sahiwal, Sialkot and Abbottabad.

Sources said that a systematic strategy has been adopted for the creation of the BTB centers in different cities keeping in view the actual potential and need based assessment of every city. The human deployment has been quantified and slim, smart and efficient setup of BTB has been established.

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