

1. Federal Board of Revenue (FBR)

1. After holding a series of meetings with Chairman and key Members of Federal Board of Revenue, the Adviser to PM on Institutional Reforms & Austerity developed a roadmap for comprehensive reforms in the Board. The plan was shared with FBR in August 2020 along with a specific paper regarding Framework of FBR Reforms developed by the Adviser (which is annexed at the end of this Section). Salient features of the reform's agenda are as follows.

End Goals of the Reforms

2. The end goals of the reforms are to transform FBR into a first-rate organization that is efficient, transparent, business friendly and has enhanced compliance with minimal human interactions with the tax payers, with the specific objectives to:

- i) Raise Tax/GDP ratio to 15% by year 5
- ii) Raise Tax/GDP ratio to 15% by year 5
- iii) Add 1.5 new tax payers to the existing tax base
- iv) Phase out the withholding tax and Final tax regime within next three years to increase the share of direct taxes
- v) Curtail tax exemptions, rationalize tax slabs and lower threshold levels to broaden the tax base
- vi) Simplify laws, Rules, Codes, processes, tax returns and improve tax administration
- vii) Introduce Tax based Audit
- viii) Set up Track and Tracing system in 10 sectors
- ix) Intensify electronic real time monitoring of production and sales of major tax spinning sectors particularly Retail and Distribution to plug in loopholes in the supply chain

3. Top priority should be given to automation, computerization, centralized data center, data analytics and AI as the main tools that underpin all the above reform areas and are therefore the cornerstone upon which the success of everything else depends.

Immediate Actions

4. The Adviser identified some short-term actions that can be taken by the FBR immediately without much difficulty. These are described below -

Appointment of CIO

5. The job of the CIO will be spearheading the automation process, coupled with digitization of the business processes. He will be supported by PRAL and other ICT professional already working in FBR. Offer letter to Chief Information Officer (CIO) must be issued as the matter is getting delayed. CIO will be assisted by Member (IT) during initial days, which will help him in settling down and understating the peculiarities of the public sector. He appreciated the Chairman's initiative to appoint a senior officer of FBR to work with CIO as the Domain expert and steer the process through.

HR Policies and Management

6. As the FBR reforms process has already kicked in, therefore, there is a need to capture the low hanging fruits, which can yield immediate results. The performance of FBR in July, 2020 was appreciated and it was agreed to sustain the momentum. There is no need to geographically expand FBR in the modern era of technology, rather FBR needs to enhance its technological prowess by improving recruitment and training, making use of Artificial Intelligence tools, renaming the training institutes as training academies, incentivising training

by offering foreign trainings to best performers, extending further trainings by making use of IBA and LUMS. This will generate interest of the officers in trainings and available funds in this project must be utilized for this purpose. Furthermore, the 'Performance Evaluation' of the officers should not be revenue target based alone, as it is likely to render their perspective fixated, rather it must be broad-based. The officers must be evaluated on a bell curve, as approved by the Cabinet- ranking in various grade must be made as part of the overall Performance Evaluation.

Directory Retirement Rules

7. Government of Pakistan has already notified Directory Retirement Rules, which clearly spell out the criterion to prematurely retire the bad performers. FBR may prepare list of such delinquent officers and proceed for signaling effect.

Functional and Organizational Restructuring

8. The meetings of the following committees must be scheduled at regular intervals to seek guidance and report progress

- a) Steering Committee
- b) Tax Policy Board

9. The FBR may be restructured comprising 8 members instead of present 13 members. The re-designation of Chairman, FBR as PAO of the organization also needs to be evaluated. The question of FBR as an autonomous body with administrative and financial powers remains unsettled as the cadre officers of FBR have vouched for maintaining status of the civil servants. This somewhat prohibits salary increases, hiring and firing of the HR and functional agility and flexibility to hire human resource having requisite expertise from the private sector. The Reforms team also needs to brainstorm this issue and come up with recommendation.

10. FBR headquarter should also delegate financial and administrative authority to heads in the field formations. A proper codification of the delegated powers is required. The proposed functionalized strengthening of LTOs and CTOs, extension of LTOs to other large cities, and reassignment of duties of RTOs and the resource realignment with the above restructuring was welcomed and should be immediately implemented.

Integration with 3rd Party Databases

11. The integration of IRIS, WEBOC and other internal databases and external such as NADRA, AGPR, Excise and Taxation Department, Banks and PRA's is vital and this needs to be completed to make FBR a vital and efficient tax collection agency.

Track and Trace System.

12. Tender for installing Track and Trace System should be expedited for early installation of the system. In the first phase, four sectors are to be roped in the system, and the system would be expanded in second phase to cover remaining sectors.

Integrity Management

13. Member FBR informed that all the refund systems will be processed through online systems by 1st September, 2020 and to achieve this, systems of FBR and would be integrated. Expedious implementation of this was stressed, considering the demand of the tax payers.

Appellate and Alternate Dispute Resolution System

14. This should be revitalized for effective utilization of the forum. The proposal to appoint Appellate CIRs, along LTOs, CTOs and RTOs and strengthening the Prosecution capacity in these offices underway should be brought to culmination and the results evaluated. ADR Committees should be formed, notified and assigned facilities to start their work.

Customs Side Reforms

- i) Ease of doing business
- ii) Facilitation of International Trade
- iii) Curbing Smuggling
- iv) Minimize Leakages through under invoicing and misdeclarations

Relationship with PRAL

15. PRAL is tasked for automation of FBR and this is technical hand of the agency. The relationship between FBR and PRAL is also vital and it is imperative to make PRAL fully functional for its optimum utilization. Clear demarcation of work, assignment of responsibilities and accountabilities, the processes of engagement etc. between FBR and PRAL need to be formalized in form of a MOU and SOPs and protocols notified for general information of all relevant stakeholders.

Communication & Media Outreach

16. It was agreed to expedite the hiring of a Professional Media Management agency for outreach and dissemination of the results achieved from the implementation of reforms and tax payer facilitation measures taken. This will help in educating the tax payers to make use of such services. FBR should post all present and previous reforms related reports on its website for information and knowledge of the general public and for research purposes.

Monitoring & Evaluation

17. As the Reforms Wing has been established it should put in place a system of to monitor and evaluate e all reforms initiatives, periodically update the FBR Council, the office of the Prime Minister and Federal Cabinet on tasks completed.

Framework of Reforms

1. Automation and Business Process Reengineering including Simplification of Codes, Rules, Laws and Procedures for filing taxes:

18. CIO and Senior FBR Domain expert to steer the implementation of the agenda through PRAL and other vendors with specific timelines. Each project will be headed by a Project Director who would be a FBR Officer teamed up with a counterpart from PRAL. This would help in realigning all ICT services provided by PRAL to the business and operational requirements of FBR and its field offices. Priority would be given to the following tasks:

- i) Integration of 3rd party data bases e.g. NADRA, SBP, AGPR and Provincial Governments etc. and FBR databases into a Centralized Data Centre, building data analytics system that can provide real time statistics for operational and decision support;

- ii) Automated Business intelligence tools including strengthening the MIS system and Dashboards for leadership at various levels.
- iii) Track and Trace System and Electronic monitoring in 10 sectors.
- iv) Widen Scope of POS System to cover large number of existing and potential retailers with Real data transmission to FBR.
- v) Reliable connectivity of field offices with the HQ with ready access to the Central Data Centre.
- vi) Development of a dynamic and interactive Web Portal containing all laws, rules, SROs, OMs, instructions, procedures, forms that can be accessed by Tax payers.
- vii) E-Governance for internal working of the FBR – Paperless filing, internal and external communications. E-services for tax payers.
- viii) Online tax payer ledger account with auto creation of notices, pre-populated returns and system-based prompts for filing returns.
- ix) ICT based surveys for sales tax registration.
- x) Online Complaint Management System.
- xi) Completely computerized issuance of Income Tax Refunds and non-export sector sales tax refunds without any human interaction.
- xii) Single system for filing sale tax return for Federal and Provincial taxes.
- xiii) Increased use of Data analytics for detecting underreporting, undeclared incomes etc.

2. Human Resource Policies and Management.

- i) Attract, retain and motivate high caliber professional staff of integrity.
- ii) Focus on Recruitment and Induction.
- iii) Improvement in work environment and facilities.
- iv) Training and Capacity Building: Academy instead of Directorates General -- can be done immediately. Organize SMC and MCMC Specialized Courses for next grade responsibilities. Focus on short-term thematic training courses. Link good performance in local trainings with nominations for short-term foreign courses as an incentive. Selections should be on competitive basis and trainings can be funded through PRR.
- v) Career Planning of Officers: Get rid of the dead wood through Early Retirement Rules. Rotation and Transfer policy with fixed tenure of three years. Promotion policy to be based on training outcome, performance reports and managerial competence.
- vi) Performance Evaluation -- (Bell curve approach): Goals agreed upon between the employee and the reporting officer with predefined Key Performance Indicators. There should be a panel for determining relative ranking for performance evaluation of officers; and another neutral appellate committee of 03 persons, in case an officer wishes to appeal against the decision of the Evaluation panel (to ensure objectivity and arm's length relationship).
- vii) Compensation and benefits – Annual increments, Bonuses and honoraria based on performance evaluation ranking and results achieved. For example, the top 20% getting Outstanding or A ranking would get twice as much in annual increment compared to those getting B ranking.
- viii) Filling in existing Skill Gaps by induction of Sectoral and Functional Specialists – Law, Accounting, Audit, IT, data analytics, Industry specialists in 10 sectors.
- ix) Rationalize Professionals to support Staff Ratio. There is an imbalance between officers and subordinate staff that needs to be rectified to improve efficiency, facilitate tax payers and minimize discretionary powers of lower functionaries.

3. Functional and Organizational Restructuring.

- i) Revitalization of Policy Board and Steering Committee for guidance and ensuring accountability for results.
- ii) FBR should have more operational autonomy in implementing tax policy and collecting taxes.
- iii) Less focus on policy making and more on administration, enforcement and implementation of policies.
- iv) Financial autonomy: single line budget with powers of Principal Accounting officer – Budget formulation, Execution, monitoring, expense authorization, internal audit for payment _ to the Chairman FBR.
- v) Reconfiguration of the Board itself by reducing the number of members from thirteen to eight.

4. More Autonomy for Field Formation.

19. Devolution of administrative and financial powers to field officers with organizational restructuring to incorporate functional responsibilities. Targets assigned for broad basing tax net, increase the number of tax filers and the amount assigned per tax payer.

5. Integrity management –

- i) Create deterrence against corruption.
- ii) Revise Efficiency and disciplinary Rules and take strict and expeditious action against those found indulging in malpractices, neglect of duty etc.

6. Improving the Appellate System.

- i) More focus on Alternate Dispute Resolution.
- ii) Separation of Audit from Adjudication.
- iii) Automation of appeal process.

7. Media management and Public Outreach.

- i) Appoint a Media expert to head the Communications Office and engage an advertisement agency for disseminating critical information about FBR, responding to the media queries and stories placing facts in public domain.
- ii) Use dynamic Website for interaction and social media for messaging.
- iii) Local Advisory committees for stakeholder consultations.
- iv) Make the Tax Reforms documents public.
- v) Regular Publication of Quarterly and Annual Reports.

8. Focus of Customs Operations.

- i) Ease of Doing Business – National Single window.
- ii) Trade Facilitation measures – Increase Goods declaration through green channel from 35% to 75%.
- iii) Reducing the time and cost of logistics and clearances – online duty calculator.
- iv) Reducing over/under invoicing smuggling etc.
- v) Online transit trade portal.

9. Risk based Audit.

- i) Completely automated system that allocates and assigns cases for audit using data analytics and Business Intelligence tools, monitors and tracks and ensures compliance.
- ii) 95 Field audits in LTUs.

10. Reduce the Scope of withholding tax regime and tax expenditures.

20. Low yielding withholding taxes that create distortions and unnecessary hassles for the tax payers and act as a deterrent to tax compliances should be phased out. For the remaining taxes, an automated monitoring and surveillance system should be set up for the whole value chain. Tax expenditures should be assessed for their impact and those with low impact and high revenue loss should be gradually phased out with sufficient advance notice.

11. Monitoring and Evaluation.

21. Reform Wing to monitor regularly and prepare reports for discussion and decisions at the meetings of the Board-in-Council on monthly basis to review progress made, impediments and difficulties faced, remedial measures to be taken. Focus on low hanging fruits e.g. expeditious payments of refunds and revenue enhancement measures.

Implementation Timelines of Ongoing and Future Reforms Initiatives

INLAND REVENUE Period: July 2020 – June 2021			
Sr.	Initiative	Responsibility	Timelines
1	ICT based survey for Sales Tax Registration	Member IT/CIO Member IR-Ops Member Policy	30 th September, 2020 Subject to procurement of tablets
2	Online taxpayer's complaint & feedback system	Member IT/CIO Member IR-Ops	30 th September, 2020
3	Simplification of Income Tax Return for Salaried persons and SMEs (Small retailers with turnover less than 10m)	Member IR Policy Member IT/CIO	30 th September, 2020
4	Strengthening of FBRs Integrity Management Mechanism	Member HRM	31 st October 2020
5	Restructuring of FBR Head Office	Member Admin	31 st October , 2020
6	Restructuring of FBR Field Formations	Member Admin & Member IR/PCS Ops	31 st October, 2020
7	Formulation of Transfer Posting & Deputation Policy	Member Admin & Member IR/PCS Ops	31 st October, 2020
8	Strengthening of Revenue Analysis and forecasting Unit in FBR Headquarters	Member SPR&S	31 st December 2020
9	Auto calculation of income tax payments (Advance Tax)	Member IT/CIO Member Policy	31 st December 2020

		Member IR-ops	
10	E-Appeals (Income Tax)	Member IT/CIO Member IR-Ops Member Legal	31 st December 2020
11	Pre-filled Returns (Phase-1 for salaries where data is available) – Ongoing	Member IT/CIO	31 st December 2020 subject to 3 rd party data linkages
12	E-Office	Member IT/CIO & DG Customs Intelligence	31 st Oct, 2020 (Pilot) 31 st December 2020 (Final Launch)
13	360 Degree view of taxpayers (TaxRay)	Member IT/CIO	31 st December 2020
14	Data Sharing between FBR & Controller General of Accounts (CGA)	Member IT/CIO	31 st December 2020 subject to availability of data of CGA
15	Automation of Sales Tax Processes (Return, Refund & other Business Processes)	Member IR Policy Member –IR-ops Member IT/CIO	31 st December 2020
16	Establishment of LTO Multan	Member Ops & Member Admin	31 st December 2020
17	Automation of Income Tax refunds (Phase-1- Payment)	Member IT/CIO Member IR-OPS	31 st December 2020
18	Review and Rationalization of Income Tax and Sales Tax and Federal Excise tax expenditures	Member IR Policy	31 ST December,2020
19	Automation of Debt Collection (Recovery) System	Member IR Ops Member IT/CIO	31 st December, 2020
20	Linkage with Third Party databases (Banks, NADRA, SECP, Provincial Tax departments, etc.) Data sharing and connectivity.	Member IT/CIO	31 st December, 2020 subject to 3 rd party data linkages
21	Strengthening, revitalizing and automation of Prosecution and Dispute Resolution System (Appellate and ADRC)	Member IR Pol & Ops Member IR Legal Member IT/CIO	31 st December 2020 Rules, Processes 31 st March 2021 Automation
22	Hiring of a PR Agency for Media Management and Public Outreach	Member Reforms & Member FATE	31 st March, 2021
23	Single system for filing Sales Tax returns	Member IR Policy	31 st March 2021 subject to

		Member –IR-ops Member IT/CIO	concurrence of Provincial Tax Authorities
24	Establishing a system to ensure availability of all tax related updated information through a variety of user-friendly products (e.g. in the form of guides, brochures, factsheets, forms, web pages, FAQs, rulings, etc.) for supporting voluntary tax compliance)	Member FATE	31 st March, 2021
25	Rationalization/Reduction of Withholding Tax Regime	Member IR Policy	31 st March 2021
26	Decentralization of administrative powers to field formations	Member Admin Member Ops (IRS & Ops)	31 st March, 2021
27	IRS - Establishment of District Tax Offices – 5 per year over the next 20 years to have full footprint of fiscal state authority all over the country. DTOs – (Gawadar, Loralai, Tharparkar, Ghotki, Mingora)	Member Admin & Member IR Ops r Admin & Member IR Ops	31 st March, 2021
28	IRS- Hiring of Contract based professional staff (Inspectors, Auditors, Specialist)	Member Admin & Member IR Ops	30 th June, 2021
29	IRS- Repositioning of redundant non-professional vacancies of 4,113 NQs, LDCs, UDCs & Supervisors as SIs, ASIs and Sepoys	Member Admin & Member IR Ops	30 th June, 2021
30	Expansion of Point of Sale System (POS) to cover more and more business entities and areas.	Member IR Ops	30 th June, 2021
31	Publication of Six Monthly Annual Revenue Reports	Member FATE	30 th June, 2021
32	Computerized audit scheme (E-Audit)	Member IT/CIO Member IR-ops Member-Policy Member-Audit	30 th June, 2021
33	Track and Trace System and Electronic Monitoring	Member IR Ops	30 th June 2021
34	Broadening of Tax Base - through field surveys, data analytics, third party data (Annual Targets, 10-15% new Payment filers to be introduced by each Field Office)	Member IR Ops	30 th June 2021

CUSTOMS
Period: July 2020 – June 2021

Sr.	Initiative	Responsibility	Timelines
1	Online Import Duties Calculator	Member Cus Ops	30 th September, 2020
2	Automation of Export Duty Drawback payments	Member Cus Ops	30 th September 2020
3	Automation of Approvals under Export Promotion Schemes	Member Cus Ops	30 th October 2020
4	TIR Multi Model automation module	Member Cus Ops	30 th November 2020
5	Transit trade portal accessible by importers through website (Customs)	Member Cus Ops	30 th November, 2020
6	Online Anti-Smuggling & confiscation of goods Portal (Customs)	Member Cus Ops	30 th November, 2020
7	Authorized Economic Operator Program: will facilitate trusted trade partners	Member Cus Ops	31 st October, 2020 Pilot 31 st December, 2020 Final launch
8	Clearance in the Sky: Filing of IGM before arrival of the airplane	Member Cus Ops	31 st December, 2020
9	E-Auction: wide access and increased revenue for Government	Member Cus Ops	31 st December, 2020
10	Automation of International Transshipment regime	Member Cus Ops	31 st December, 2020
11	Smart Examination: Focused examination, real time feeding of data at container of the terminal, GPS tagging	Member Cus Ops	31 st December, 2020
12	Strengthening, revitalizing and automation of, Prosecution, Appellate and ADR Systems in Customs	Member Legal Cus Member Cus Pol	31 ST December 2020
13	Automation Post Clearance Audit Process and enhanced Focus on Post Clearance Audits	Member Cus Ops DG PCA	31 st December, 2020 Rules and Procedures 31 st March 2021 Automation
14	Implementation of Advance Ruling System	Member Cus Ops	31 st December, 2020
15	Review and Rationalization of existing Customs Duty Exemptions (tax expenditures) Regime	Member Cus Pol	31 st December, 2020
16	Automation of Debt Collection (Recovery) System	Member Cus Ops	31 st December, 2020

17	Stock taking and automation of State Warehouses all over the country	Member Cus Ops	31 st December, 2020 Stocktaking 31 st March, 2020 Automation
18	Automation of Debt Collection (Recovery) System	Member Cus Ops	31 st December, 2020
19	Virtual assessment: Faceless, no human interaction with trader/his agent	Member Cus Ops	31 st March, 2021
20	Decentralization of administrative powers to field formations	Member Admin Member Cus Ops	31 st March, 2021
21	Bonded Warehouse System: will encourage SMEs & provide real time inventory management	Member Cus Ops	30 th June 2021
22	Integrated Risk Management system	Member Cus Ops	30 th June 2021
23	National Targeting Center: to provide a single platform for all LEAs and other agencies	Member Cus Ops	30 th June 2021
24	Trade Facilitation through Effective Customs Risk Evaluation & Management (CREAM) system	Member Cus Ops	30 th June 2021
25	Audits of Survey/Quota based, Manufacturing Bonds, Export Facilitation Schemes	Member Cus Op	30 th June 2021
26	ITTMS (Integrated Transit Management Systems) – Torkham, Chaman and Wagha Border Crossing Points Infrastructure Development Project- Development Phase	Member Cus Ops	30 th June 2021
27	National Single Window- Development and Integration Phase	Member Cus Ops	30 th June 2021
28	Border Management Initiative for control of smuggling in western border areas of Pakistan – Development Phase	Member Customs	30 th June 2021

INLAND REVENUE AND CUSTOMS
Period: July 2021 – June 2022

Sr.	Initiative	Responsibility	Timelines
1	Recruitment of specialized staff on contract	Member Admin & Member HRM	Quarter wise deadlines for FY 2021-22 will be
2	Re-defining job descriptions & Performance Management System	Member HRM	

3	Performance based bonuses & allowances	Member HRM	decided at the end of FY 2020-21.
7	Monitoring and Evaluation of the Taxpayer Audits conducted last year and automation of the process	Member Audit	30 th September 2021
8	Pakistan Single Window, pilot launch	Member Cus Ops	30 th September 2021
9	Automated Entry & Exit System at Ports	Member Cus Ops	31 st December 2021
10	Automation and Computerization of FBR Hqrs and Field Formations' Business Processes of Internal and External Communication, Processing , Decision Making and Monitoring - Paperless Working – Development Phase	Member IT/CIO Member IR Ops, Member Cus Ops, Member IR Admn	30 th June 2022
11	Audit of FBR's existing Computerization and Automation capacity (both hardware and software- IRS/Customs) for its efficacy and sustainability as well as Future Need Analysis for its robustness and continuity.	Member IT	30 TH June 2022
12	Automation and Computerization of FBR Hqrs and Field Formations' Business Processes of Internal and External Communication, Processing , Decision Making and Monitoring – Paperless Working (First Phase)	Member IT Member IR Ops, Member Cus Ops, Member IR Admn	30 th June 2022
13	Pakistan Single Window, final launch	Member Cus Ops	30 th June 2022
14	ITTMS (Integrated Transit Management Systems) – Torkham, Chaman and Wagha Border Crossing Points Infrastructure Development Project- Development Phase	Member Cus Ops	30 th June 2022
15	Border Management Initiative for control of smuggling in western border areas of Pakistan – Development Phase	Member Cus Ops	30 th June 2022
16	Automation and Computerization of FBR Hqrs and Field Formations' Business Processes of Internal and External Communication, Processing , Decision Making and Monitoring - Paperless Working – Final Phase	Member IT Member IR & Cus Ops	Roll out- 30 th June 2022
INLAND REVENUE AND CUSTOMS Period: July 2022 – June 2023			
Sr.	Initiative	Responsibility	Timelines
1	ITTMS (Integrated Transit Management Systems) – Torkham, Chaman and Wagha	Member Cus Ops	Roll out by 30th June 2023

	Border Crossing Points Infrastructure Development Project- Roll out		
2	Border Management Initiative for control of smuggling in western border areas of Pakistan – Roll out	Member Customs	Roll out by 30th June 2023

Current Status

22. The Report “Framework for Reforms in FBR” was submitted to the Prime Minister on 2nd September 2020 with the recommendation that it may be implemented by the FBR and the CCIR may be tasked to monitor the progress.