



# TRANSPARENCY INTERNATIONAL-PAKISTAN

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28<sup>th</sup> July, 2014

Mr. Shahid Hassan Asad,  
Actg. Chairman,  
Federal Board of Revenue,  
Government of Pakistan,  
Islamabad.

Sub: Objections on FBR Tender for Monitoring of Manufacturing Industries, an Eye Wash, and not a Serious Effort to Collect Rs 2, 000 Billion Tax Evasion.  
FBR Clarification is irrelevant to the Objects of TIP.

Dear Sir,

Transparency International Pakistan refers to the letter of FBR dated 24<sup>th</sup> July, 2014, C. No. 1 (2) SS (Projects- RMP)/ 2014, questioning on the email sent to, the Chairman, FBR on 23<sup>rd</sup> July, 2014 by Mr. Syed Adil Gilani, Adviser, Transparency International Pakistan (Annex A & Annex B).

FBR has asked certain questions on Transparency International Pakistan's email sent on 23<sup>rd</sup> July, 2014 on the tender referred in the above subject.


The electronic mail as mentioned by Member Headquarters/ PD- SEMP, FBR, was sent to Chairman FBR, and also to the Chairman NAB, Islamabad along with the attachment of the scanned copy of the letter of Chairman TIP, by Mr. Syed Adil Gilani, Adviser, Transparency International Pakistan, for information, who also discussed this letter with you on telephone on 23-7-2014.

This is to point out that at no information is privileged under Article 19-A constitution of Pakistan, and FBR is requested to provide clarification of the questions asked by me on 23-7-2014, as there are complaints of allegations of collusion between FBR officers and manufacturers, to delay the GST collection, which is becoming clear from the language of the FBR letter.

The Chairman, FBR is requested to kindly examine this project in light of Transparency International Pakistan observation, and take full responsibility of implementing this scheme if he do not agree with TI-Pakistan suggestion, and assure pluggin of tax evasion, which is in these five sectors is known to be Rs. 500 Billion.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

  
Sohail Muzaffar  
Chairman



Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad.
3. Chairman, PAC, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, PPRA, Islamabad.

A

**Government of Pakistan  
(Revenue Division)  
Federal Board of Revenue**

C.No. 1(2)SS (Projects-RMP)/2014.

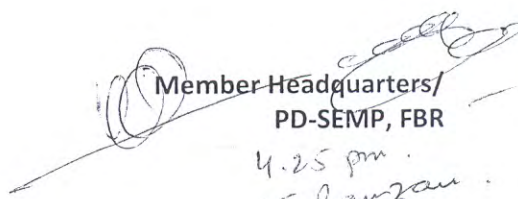
Islamabad the 24<sup>th</sup> July, 2014

Mr. Sohail Muzaffar,  
Chairman,  
Transparency International, Pakistan  
Karachi

**SUBJECT:        OBJECTIONS ON FBR TENDER FOR MONITORING OF MANUFACTURING INDUSTRIES, AN EYE WASH, AND NOT A SERIOUS EFFORT TO COLLECT RS. 2,000 BILLION TAX EVASION – FBR CLARIFICATION IS IRRELEVANT TO THE OBJECTS OF TIP**

An electronic message dated 23.07.2014, purportedly from Transparency International, Pakistan, but not on any letterhead, is received as addressed to Acting Chairman, FBR with a postscript that it comes from Syed Adil Gilani and contains certain privileged information. However the name at the end of the letter is is "Sohail Muzaffar"

02.        As the communication is not on TI letterhead and names two different persons as its author, it is requested to kindly confirm that the letter is actually from your goodself, and is an official document of Transparency International Pakistan.

  
Member Headquarters/  
PD-SEMP, FBR

4.25 pm  
25 Rawan



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23<sup>rd</sup> July, 2014

Mr. Shahid Hussain Asad,  
Actg. Chairman,  
Federal Board of Revenue,  
Government of Pakistan,  
Islamabad.

Sub: Objections on FBR Tender for Monitoring of Manufacturing Industries, an Eye Wash,  
and not a Serious Effort to Collect Rs 2, 000 Billion Tax Evasion.  
FBR clarification is irrelevant to the objects of TIP

Dear Sir,

Transparency International Pakistan refers to the reply of FBR dated 22<sup>nd</sup> July, 2014, C. No. 1 (2) Member FBR (HQ)/ 2014, on the complaint sent to FBR on 17<sup>th</sup> July, 2014 by Transparency International Pakistan (Annex A & Annex B).

The clarification of FBR that Public Procurement Rules 2004 are not being violated is irrelevant and out of context. TIP did not receive any complaint of PPRA violation nor TIP objected on PPRA violation, nor any apprehension of violation of PPRA Rules was raised by TI-Pakistan.

The context of the complaint is that the surprise change in FBR policy in the procedure of collection of Tax Revenue of the Cigarettes Tax Stamp project of 2012, which was a BOT project, with zero investment from Govt. Similar to FBR proposal of 2012, excellent tax increase record of four to five folds in few years, in the neighboring countries of Turkey and India have been achieved. That Scheme was also sabotaged by FBR officers and Cigarettes manufactures, and tax evasion of billions of rupee has continued for the last 2 years.

The objection on FBR on the scheme is that it has reported that it is not applied anywhere in the world, and is an experimental idea only. Hence FBR is willing to spend government funds of billion of rupees as fee to the successful bidder, and the scheme is deemed to fail, as at the production units electronic registers will be installed and linked to FBR headquarters for 24 hour monitoring. This will be sabotaged by manufacturers by using cyber technique of bypassing FBR links. And this will not only cause loss of Billions of rupee paid to consultant, but will cause continuation of evasion of tax as before.

Transparency International Pakistan feels that FBR and manufacturers are in collusion to push this scheme, so that it fails to check tax evasion of over Rs 600 billion in these five products to continue.

This is to inform that the FBR had also sabotaged the scheme submitted collection of 39.5% (15% WHT and 19.5% GST) from 5 cellular phone companies which was reported by Transparency International Pakistan as the 5 companies are causing annual tax evasion of more than Rs. 500 Billion.



FBR based on its member legal opinion took following stand in a reply to Supreme Court of Pakistan, that the prepaid card to be printed by Pakistan Security Printing Corporation as suggested by TI-Pakistan is against constitutional right.

Attached is the letter of FBR to Supreme Court of Pakistan dated 15<sup>th</sup> March, 2013 which states as under; **Annex-C.**

*"Freedom of trade and business is one of the fundamental rights guaranteed under the Constitution of Pakistan. To restrict the business of cellular companies to pre paid card only is against settled principal that the revenue cannot dictate how to run a business unless any business practice is against the law and manifests loss of revenue.*

*The proposal that the service provider at the time of obtaining printed cards from the printer (PSPC) should deposit the total amount of sales tax and income tax in FBR's account at NBP is against the Sales Tax Act, 1990 because it will create a situation where sales tax Act, 1990 because it will create a situation where sales tax will be charged on "purchase transactions" whereas under section 3 of the Sales Tax Act, 1990 and collection under section 236 of the Income Tax Ordinance, 2001 are leviable/collectible at the time of "sales transaction". If the sales taxes under section 3 of the Sales Tax Act, 1990 and Income Tax under section 236 of the Income Tax Ordinance, 2001 are charged on "purchase transactions" are same is not likely to have the legal assent of the courts.*

The Chairman, FBR is requested to kindly examine this project of Monitoring of Manufacturing Industries in light of Transparency International Pakistan observations, and take full responsibility of implementing this scheme, if FBR do not agree with TI-Pakistan, FBR should ensure plugging of evaded tax of over Rs. 600 Billion annually, paid by the consumers, and not deposited by the manufacturers of the 5 sectors,.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar  
Chairman

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