Awareness & Prevention Division

GOVERNMENT OF PAKISTAN
NATIONAL ACCOUNTABILITY BUREAU
ATTA TURK AVENUE, G-5/2
ISLAMABAD

SAY NO TO CORRUPTION

No: 3-2(1)(46)S-I/MW-II/NAB HQ/CVC/319
April 16, 2015

The Chairman
Federal Board of Revenue,
FBR Building,
Islamabad.

Subject: **Recommendations of the Prevention Committee on Tax Evasion**

In pursuance of Section 33 C of National Accountability Ordinance 1999, Chairman NAB constituted a Prevention Committee on Tax Evasion in order to study the weaknesses in the taxation system and to suggest measures to plug such loopholes. In order to augment the proposal / recommendation, representatives from Federal Board of Revenue, State Bank of Pakistan, FPCCI, ICAP and TIP were requested for participation in the meetings to contribute their valuable inputs. After thorough and detailed discussions and brain storming, recommendations of the committee have been finalized which are enclosed for due consideration and implementation.

2. We hope that the collaboration with FBR will go a long way in eradicating the corruption and corrupt practices and to broaden the tax net from the existence system.

3. We assure our assistance and cooperation in this regard.

With profound regards and best wishes.

Encl: **As stated:**

Rear Admiral (R)
Saeed Ahmed Sargana
Deputy Chairman NAB

Copy for information to:

a. PS to Federal Ministry for Finance, Islamabad
b. PS to Secretary to Prime Minister, Islamabad
c. PS to Governor State Bank, Karachi
d. Chairman Transparency International Pakistan, Karachi
e. Chairman Prime Minister Inspection Commission, Islamabad.
f. Chairman FPCCI, Islamabad.
g. Chairman ICAP, Karachi
h. President PTBA, Karachi
i. AD (Coord) Cn. Sectt, NAB HQ
j. Sr. PS to Dy. Chairman, NAB HQ
k. All members of Prevention Committee.

Recommendations of
Prevention Committee on Tax Evasion

The meetings of Prevention Committee on Tax Evasion were held on 16th March and 14th April, 2015 at NAB HQ, presided by the Rear Admiral (R) Saeed Ahmed Sargana, Deputy Chairman NAB. (List of Prevention Committee on Tax Evasion is attached as Annex-A). After detailed discussion, the following recommendations were agreed upon by the members:-

Point – 1: **USE OF AUTOMATION**

RECOMMENDATIONS:

a. The committee considered that an efficient, reliable and user friendly automation system will help to achieve the following important objectives :-

  (i) To bring transparency in the FBR system;

  (ii) To bring confidence in the FBR working;

  (iii) To minimize leakages/fraud of tax;

  (iv) To provide confidence to honest and willing taxpayers;

  (v) Broaden the tax base; and

  (vi) To minimize personal contact.

b. It is expected that the national goals would be realized if the following recommendations are implemented in letter and spirit:-

  i) Compilation/integration of following data information available within the Database of FBR and other Government or Semi-Government departments:-

    (a) Transaction conducted or expenditure incurred carrying CNIC or Passport number;

    (b) Transaction conducted between the parties carrying National Tax Number, Sales Tax Registration number, Company Registration Number etc.

  ii) Reconciliation of data compiled be made with the information available with FBR in the shape of Withholding Statements, Return of Income and Purchase/Sale Summaries of Sales Tax Returns, with SECP data bank with listed companies distributed dividends, with Banks and National Saving

Centers for distribution of profit and Vehicle registration authorities, with Stock Exchanges of shares sale and purchase transactions, with immovable property registration authorities for sale and purchase of properties etc. to unearth new taxpayers and tax the untaxed income.

iii) Enterprise Resource Plan (**ERP**) software is committed to be launched by FBR in two phases first by 1st July, 2015 and second by 31st December, 2015.

Point – 2: **SEPARATION OF REGULATORY AND IMPLEMENTATION FUNCTION FROM FBR**

RECOMMENDATIONS:

a. The scheme of tax Appellate authorities should be brought in line with the provisions of the Constitution of the Islamic Republic of Pakistan, by removing adjudicating officers from subordination of FBR. Commissioner (Appeals) / Collector (Appeals) be appointed and directly work under the supervision of Ministry of Law and members of appellate tribunal should be appointed and work under the respective High courts. The officials of FBR once transferred to Appellate forums should be transferred for the balance period of their service without any option to come back to parent department. The tax machinery under the control of the executive side is an obvious impediment in providing fair and quick justice to the harassed and bonafide taxpayer.

b. Federal Board of Revenue shall only be an implementing Board, under Finance Ministry. It shall be relieved from performing the role of a Regulator.

c. An Independent Pakistan Revenue Regulatory Authority PRRA shall be constituted, which shall make laws for revenue generation and report directly to the Prime Minister. It may comprise of five professional members i.e. three economists, one law professional and one chartered accountant.

Point – 3: **FOREIGN REMITTANCE / FOREIGN ASSETS AND WITHDRAWAL OF SECTION 111(4).**

RECOMMENDATIONS

a. Section 111 of the Income Tax Ordinance, 2001 (**the IT Ordinance**) provides that where any person invest any amount or incurred any expenditure and such person offers no satisfactory explanation about the nature and source of the amount credited or invested or funds from which the expenditure was made, the same amount shall be included in the person's income chargeable to tax to the extent it is not adequately explained. However foreign remittance from the identified source should not be questioned.

b. Therefore, it is proposed that the exemption under Section 111(4) of the IT Ordinance to the foreign exchange brought into Pakistan through proper banking channel should be withdrawn, except to the extent as explained above.

c. Section 5 of the Protection of Economic Reform Act 1992 may be amended accordingly.

d. Appropriate laws should be made to enable the government to seize local assets, in equivalent value, or levy appropriate taxes, if any person holds any kind of assets outside the country for which source of income could not be established. Pakistan should sign bilateral / multilateral agreements with countries where there is suspicion of Pakistani Citizens illegally maintaining bank accounts and other assets to bring back the untaxed wealth from 'tax heavens" abroad as being done by USA, India with Switzerland.

Point -4: **ISSUANCE OF BEARER CERTIFICATE/PRIZE BONDS ETC.**

RECOMMENDATIONS

a. Presently State Bank of Pakistan is issuing bearer certificates/prize bonds of large denomination, which is not only providing opportunity to tax evaders to park their black money under this mode of financial instruments, but providing avenue to whiten black money at a reduced tax rate. Bearer certificates / prize bonds of Rs.7500/- and above denomination be issued by name.

Point – 5 **RATIONALIZATION OF COLLECTORATE RATES FOR PURPOSES OF STAMP DUTY AND OTHER LEVIES ON IMMOVEABLE PROPERTY.**

a. Presently provinces are collecting stamp duty on transfer of immoveable properties at the values prescribed by the respective Revenue Collectors; which mostly do not commensurate with the prevailing market rates.

b. The above mechanism is resulting in the following disadvantages to the Government exchequers, economy of the country and to the bonafide taxpayers:-

   i. Black money is being parked at virtually no cost;

   ii. Gain computed is far less than actual gain which result in lower tax revenue for the exchequer;

   iii. Economy is not being documented properly and accurately; and

iv. The taxpayer who purchases property out of bank loans; black their white money by paying the difference amount out of books.

RECOMMENDATIONS

a) That Federal Government should work with Provincial Governments to create biannual / annual market rate based realistic table of valuation and reduced rates of not more than 1% of Market rate as stamp duty and other levies for transfer of immovable properties;

OR Alternatively

b) Collect such tax on behalf of Provinces on the basis of biannual / annual market rate realistic table of valuation and reduced rates of stamp duty and other levies.

Point – 6 **Measures to maximize documentation of economy and broadening of tax base.**

a. It may be appreciated that following three sectors of the economy are not contributing taxes in the ratio of their share in the GDP; which is not only defeating the Government's efforts of generating fair revenues, but it is great impediment in enhancing tax-to-GDP ratio and documentation of economy:-

   i. Traders and businessman related to the agricultures product;

   ii. Transport sector; and

   iii. Wholesale and Retail sector.

   Therefore, there is need to bring these sectors into tax net in order to document the economy of the country and to broaden the tax base.

RECOMMENDATIONS

a. CNIC number shall be declared as National Tax Number w.e.f 1st July, 2015.

b. All CNIC holders having income above taxable limit shall submit annual tax return.

c. Federal Government in consultation with Provincial Government should carry out assessment of the market rate of properties by engaging 3rd party and should produce a reference document. The same should be revised and issue every year on 1st July. Provincial Excise Department should be engaged for the subject purpose. In this regard, stamp duty and other levies for transfer of property should be between 0.5% to 1%.

d. All businessman and retailers must be registered with Licensing Authority and with FBR.

e. All receipt and payments above 50,000/- should be through only banking channel and other transaction should be banned;

f. Incentives should be provided to those retailers/wholesalers who install electronic cash register without any turnover thresholds and connect with FBR database. They should also be absolved one time from payment of previous sales tax liabilities;

g. Sales Tax/VAT should be implemented in its true form;

h. Effective utilization of NADRA database should be made;

i. Effective enforcement of provisions of Section 114 of the IT Ordinance should be ensured;

j. Complete details and database of all the owners/ holders/allottee of the property (including residential, commercial, industrial), private vehicles, trucks, buses, international traveling, utilities with some threshold (including residential, commercial and industrial), transactions above certain threshold made through credit cards, debit cards / ATM, cross cheques, pay orders / all other banking channels, investment in fixed deposits, national saving schemes and stocks be prepared and on the basis of that information, a complete Profile may be generated and used effectively;

k. Presently monthly or annual statements are required to be filed where withholding of tax is affected. However, it is suggested that the filing of such statements should also be made mandatory for the Housing Societies for registration/ transfer of Immovable Property (Industrial, Commercial, Residential and Agricultural). Motor Vehicle Registration Authorities, Clubs (Private and Public), Credit Card issuing authorities, Central Depository Company, National Clearing Company of Pakistan, large scale private hospitals and schools and Financial Institutions distributing profit more than statutory taxable limit or granting commercial loans, airline companies, FIA for travelling record and such information is crossed matched with the existing data with FBR. Withholding penalty should be minimized. In case the statements are filed within one week of the prescribed time defaulters may only be warned. However, if the default continues of more than one week penalty be imposed.

l. The taxes must be equitable and fair between different classes of society. The payment of tax by all the segments of the society must be convenient. The laws imposing taxes must be so precisely and clearly worded as to make the taxpayer understand what the burden he is called upon to bear;

m. To give comfort and confidence to the existing honest diligent, taxpayer bonafide and increased tax collections should not be made from them, but from those who are not reporting or under reporting. This will ensure a level playing field for all income earners and eliminate the incidence of income earners from other sectors parking their wealth and income to avoid taxes;

n. Accountability in tax administration must be introduced. The rampant corruption, without any real accountability of underperformers in delivering optimal collections from Income tax, Sales tax, Customs and Excise combined with misuse of powers are the reasons behind the inefficiency of the tax machinery and therefore, this needs to be corrected.

o. To execute bilateral/multilateral agreements with different countries for sharing information related to investment made by Pakistanis in such countries and untaxed in Pakistan;

p. Fiscal and taxation policies should be announced to remain static for at least three years.

q. There should be consistency in tax policy and a strong political will to enforce the law in letter and spirit leading way to three year budget.

Point – 7 **ELIMINATION OF EXEMPTION PROVIDED THROUGH SROS**

RECOMMENDATIONS

a. The FBR is currently evaluating the impact of SRO's on the revenue collection and their repercussions of overall economy. The committee of the view there are numbers of SRO's which are of beneficial and provide benefit and promote local manufacturing by allowing concessionary Customs duty on raw material and bringing new FDI in Pakistan. However there are large of number of SRO's which are being misused and duties / taxes are being avoided through them. We therefore, recommend that those positive SROs should be made part of law, i.e. annual budget, and SRO culture should be terminated w.e.f 1st July 2015.

Point – 8 **INTRODUCTION OF FOOLPROOF SYSTEM TO COLLECT TAX FROM PROFESSIONALS AND OTHERS**

RECOMMENDATIONS

a. A very encouraging step in this direction was taken by the Government through the Finance Act, 2013 by insertion of Clause (ix) in Section 114 of the IT Ordinance for mandatory filing of returns by the professionals. There is a big group of artists, dress designers, models, event managers, sales and marketing people running different businesses from their homes or offices in the back streets or just through the cell system, etc. are generating significant untaxed revenues. However, it is a bitter truth that FBR has failed to make any significant progress in this direction to bring them into the tax net. All professionals like Doctors, Lawyers, Engineers, Attorneys, Architects, Chartered Accountants, and Consultants etc misreporting their income be treated as criminal offenders which should constitute criminal penalty. Amendments be made in respective law. All professionals be required to receive their fee through banking channels i.e. cheques, pay orders, demand drafts etc.

b. It is therefore recommended that a separate zone in each city with required strength be created responsible for the following:-

   i) Ensure members of various professional bodies and known potential prospective taxpayers are registered with tax department;

   ii) Work in co-ordination with FBR IT team to generate profiles of such professionals and Others Assets, Revenue and Expenditure information and match with information available through filing of Return of Income and Wealth Statement; and

   iii) To carry out sting operation by the officials of FBR or / and any other agency (3rd party) at specialist clinics, big hotels, Expo centres, Building Control Authorities for Architects, Courts for lawyers or at their business premises in the big cities to check their receipts. Obtain data of foreign bank accounts of professionals to investigate whether any fee related to services in extended in Pakistan are received / deposited in such accounts.

This action will create a great deterrence for huge evasion of taxes in this area.

Point – 9: **Admissibility of Input Sales Tax**

RECOMMENDATIONS

a. Introduction of rational GST at all stages and elimination of refunds. It has been advocated that single stage sales tax at a lower rate may be imposed without any claim of refund in place of present GST in value added mode. There are reservations against proposal of Single stage Sales tax (SSST) at a lower rate of GST at every stage; Nowadays the VAT model is implemented in 8 of the 10 major economies and in 140 of the approximately 170 countries around the world working well for large economies (such as Germany) and in small countries (like Mauritius) and not a single country ever tried to convert from VAT to a single stage sales tax system (SSST).

b. Clause 8(1)(ca) of the Sales Tax Act 1990 states that input tax may not be claimed by a registered person on the goods in respect of which sales tax has not been deposited in the Government treasury by the respective supplier. In the current environment of payment of taxes in time, it is difficult for a buyer to ensure the deposit of the sales tax into Government Treasury by the seller, as the buyer does not have any enforcement power over the seller. FBR is trying to transfer its own burden to taxpayers and trying to hide its inefficiencies. This provision should be withdrawn as the court has also declared this section as ultra vires.

c. To eliminate culture of fake invoices, PCT Code identification shall be incorporated in Sales Tax Return Form STR -7.

d Cellular Companies tax Collection.

i. Income tax @ 14% under section 236 of Income Tax Ordinance 2001 is deducted at source of the amount of bill price of prepaid telephone card which is adjustable. Federal Excise duty @ 18.5% of the charges is collected only in Islamabad and Baluchistan by FBR. Whereas, Provincial authorities of Sindh, Punjab and KPK are charging sales tax @ 19.5% on telecom services due to 18th amendment.

ii. A combined audit of all telecom companies on behalf of all revenue agencies i.e; FBR, Provincial Revenue authorities (SRB, PRA and KPRA) and PTA to plug loopholes and revenue leakages (Income tax, FED and Sales Tax) may be conducted.

iii. Payment through Pre Paid Cards shall be the only mode (even if dealers get such cards from companies, it should be the responsibility of the Service Provider to collect and deposit tax).

iv. The Pre Paid Cards shall be printed only at the Pakistan Security Printing Corporation or under secure / controlled environment.

v. Top up shall also be made through pre paid card, sold to cell company's agents, shopkeepers.

vi. Cellular Phone Companies and Internet Provider Companies shall place orders , (with payment of the PSPC charges) of printing with PSPC for provide/print/supply of pre paid cards of various denominators , with printed matter to be provided by the respective companies.

vii. Pakistan Security Printing Corporation PVT Ltd will print the Pre Paid Cards, with "15% WHT and 19.5% GST Paid" on each card.

viii. Cellular Phone Companies and Internet Provider Companies will deposit the total amount of GST and WTH in FBR account at NBP, and provide the paid voucher, certified by FBR through PRAL System, to PSPC and collect the pre paid cards.

ix. As GST on services is a provincial tax, Cards will be printed separately with name of province / federal territory for sale in Punjab, Sindh, KPK, Baluchistan and Federal territory. This will enable transferring GST to the respective provinces collected by FBR.

x. The printing of Pre Paid Cards suggested only at the Pakistan Security Printing Corporation PVT Ltd, due to security reasons, to eliminate fraudulent duplication of Pre Paid Cards. In fact security level provided for Currency notes printing is required to eliminate possibility of duplicate cards.

xi. On line access to the system of telecom companies should be given to FBR.

xii. Similarly, tax collection mechanism (forensic audit) for other sectors of economy i.e. Textile, Manufacturing etc be reviewed and improved

Point – 10: **CUSTOMS CONTROL TO BE IMPROVED FOR TRANSPARENCY AND FAIRNESS**

RECOMMENDATIONS

a. The menace of unauthorized and under invoiced imports is impacting negatively on the growth of organized sector and it is impediment to provide level playing field to all the business houses. Therefore, in order to improve Custom controls following recommendations are made:-

   i. The fixation of value is measure through which the mis-declaration or under declaration by importers can be check and discouraged. In order to institutionalize the valuation system, we recommend that it should be outsourced to third party to ensure proper and realistic determination of value for levy of Custom Duty and other taxes. It will help the appraisement department of Customs in assessing the fair value of goods imported;

   ii. Duty and tax structure should be reviewed in order to rationalize its impact on legal imports;

   iii. The enforcement arm of customs should be strengthened with appropriate legal powers to stop the sale of unauthorized imported goods;

   iv. Counterfeit imported products should be effectively checked;

   v. Penalties for mis-declaration and under-invoicing to be made more stringent;

   vi. Re-Export or temporarily imported goods shall be cleared against a security in the form of a post dated cheque for the differential amount between the statutory rate of customs duty and sales tax and the amount payable under the notifications, along with an undertaking to pay the customs duty and sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project; and

   vii. Afghan Transit Trade shall be regulated for Tracking. No monopoly shall be allowed by FBR for a single tracking company, and Tracking Company shall be the bailee of the cargo.

b. Following recommendations made by the Sub-Committee of the Revenue Advisory Council in the matters of Custom Valuation vide report dated 18th Jan, 2010 be adopted:-

i) That high level Government effort should be made to ensure proper implementation of agreements executed with Governments of the Republic of China and United Arab Emirates for cooperation and mutual assistance in Customs matters;

ii) The FBR should make further effort to execute similar agreements with such exporting countries from where the value of goods declared by the importers are unreliable and inaccurate;

iii) A proper study should be made to analyze the viability and effectiveness of posting Customs Valuation Counselors at Commercial mission in such trading partner countries; where risk of underreporting and mis-declaration is high and rampant;

iv) It should be made mandatory for the Authorized Dealers to put condition in the LC or Contract that the Exporter of the goods will manually sign commercial invoice (in quadruplicate) indicating LC/Contract number, importer's National Tax Number, Description of goods, H.S. Code, Country of Origin, actual amount paid or payable and submit the same along with other original documents for approval of the designated bank in Pakistan;

v) Paragraphs (23) and (24) of the Chapter XIII of the Foreign Exchange Manual be amended; whereby it should be made mandatory for the Authorized Dealers to send the copies of Form 'I' along with copy of manually signed invoice to the Customs Valuation Department on real time basis;

vi) It should be made mandatory for the importer to instruct exporters of the goods to keep one copy each of the commercial invoice, packing list and certificate of origin duly signed manually in the Container;

vii) The FBR should emphasize on strengthening Post Clearance Audit (**PCA**) as it is in line with the best international practices;

viii) Skilled and fully dedicated team of auditors also having expertise in the financial accounting and are well conversant with audit techniques may be posted/hired/recruited for the PCA;

ix) Registration process (ID issuance) in Custom's automation system may be made more stringent to ensure that fake importers/exporters do not enter in the system. This will help in their post clearance audit;

x) The services of external auditors having sector specializations for example chemical, textile etc. be acquired for PCA;

xi) There should be more emphasis on entity and product based audit instead of transaction based audit.

xii) That an experienced and dedicated team of present and former Custom Officers should be formed to study the following and keeping in view the best practices in the world and local demands; make appropriate recommendations in this regard:-

(1) Items currently listed on the exemption list and persons registered under the DTRE;

(2) Importance for allowability of exemptions and granting registration under the DTRE Scheme;

(3) Benefits achieved by the stack-holders and GOP;

(4) Study of Cost benefits versus Revenue losses suffered by the GOP;

(5) Alternative available;

(6) Monitoring and auditing of the transactions; and

(7) Recommendations for establishment of appropriate mechanism for allowability of exemptions and granting registration under the DTRE Scheme.

xiii) That keeping in view the global commitment tariff reforms with respect to Customs Duty have already been carried out; however in order to de-incentivize under and mis-declaration; reasonable reforms should also be made in other taxes viz. income tax, sales tax and federal excise duty;

xiv) Capacity building of Customs Officers should be enhanced for detection of under declaration and mis-declaration of goods; and

xv) That keeping in view the international obligations and guidelines provided by the WTO and WCO; Customs Duty should be levied on the Transaction Value, except in the identified circumstances.

Point – 11: **RECONCILIATION AND STREAMLINING OF FEDERAL AND PROVINCIAL TAX LAWS**

RECOMMENDATIONS

b. Conflicting issues related to chargeability of taxes on services emanated due to legislation after the 18th Constitutional amendment, must be resolved without any further delay. This has resulted in undesired litigation and disappointment to lot of large and bonafide taxpayers.

Point – 12: **DEVELOP CAPACITY TO FORMULATE AND IMPLEMENT TRANSFER PRICING**

RECOMMENDATIONS

a. The globalization of economic activity and the increasing volume of international transactions of multinational enterprises (MNEs) imply that transfer pricing for tax purposes already is and – in the near future – will remain one of the most important tax issues. Coupled with the growing type and number of cross-border transfers of intangible assets, concerns arise about the adequacy of transfer pricing rules as they are currently provided by many national tax authorities including Pakistan.

b. The key question of transfer pricing is how prices for goods, services and intangibles that are transferred across borders, but within multinational networks should be established. Thus, the success of the local operation is the only interest of national taxing authorities. The arm's length rule, which has formed a core value in international taxation for most of the twentieth century, serves two functions in this context. Firstly, it provides national taxing authorities with a mechanism for fair allocation of profits as between local operations of a multinational group and other parts of the group. Secondly, as nation states compete with each other for tax revenues, it provides a mechanism for fair allocation of taxing jurisdiction among nation states.

c. Section 108 of the IT Ordinance, deals with the powers of the Commissioner Inland Revenue with regards to the determination of the arm's length value of any transaction between associates. In order to determine the arm's length result of any such transaction, the Income Tax Rules, 2002 state that the following methods may be applied by the Commissioner. These methods are identical to the methods available under the OECD Guidelines:-

   i. **The Comparable Uncontrolled Price Method (CUP)**

   The price quoted for a transaction between uncontrolled parties on similar terms and conditions will be considered.

   ii. **The Resale Price Method**

   Difference in the resale gross margin of the two transactions would be considered and compared for determining whether the transaction between controlled parties is on arm's length basis or not.

   iii. **The Cost Plus Method**

The cost plus markup realized in an uncontrolled transaction will be considered as a basis to determine whether a similar transaction between controlled parties is on arm's length basis or not.

iv. **The Profit Split Method**

Where group of associates is formed and the transactions are so interrelated that a separate basis is not possible to identify the arm's length results for a similar transaction between uncontrolled persons, the profit sharing basis agreed between independent persons forming an association would be considered.

It should be noted that between clauses (a), (b) and (c), the method that, having regard to all the facts and circumstances, provides the most reliable measure of arm's length result as in the opinion of the Commissioner shall be applied. The method in clause (d) shall apply only where the methods in clauses (a), (b) and (c) cannot reliably be applied.

d. Pakistan has concluded around 63 income tax treaties which contain an article which resembles Article 9 OECD Model Tax Convention on "Associated Enterprises." Over 60 governments have adopted transfer pricing rules. Transfer pricing rules in most countries are based on the "arm's length principle" – that is to establish transfer prices based on analysis of pricing in comparable transactions between two or more unrelated parties dealing at arm's length. The OECD has published guidelines based on the arm's length principle, which are followed, in whole or in part, by many of its member countries in adopting rules.

e. However, in Pakistan it is observed that the above provisions of income tax law and Custom's valuation method have not provided significant results in this regard.

The committee therefore recommend that trained team of Revenue Officer should be deployed at income tax and custom offices to carefully examine and ensure that MNEs to value cross-border transfers between related party firms by applying the arm's length standard (**ALS**), on tangible products and intangible assets resulting in the universally recognized method for the fair allocation of profits across borders between related parties, in respect of manufacturer, distributor and service provider.

f. The discretionary powers extended to tax authorities in Income Tax Ordinance, 2001 through continuous amendments in the Ordinance should be removed to bring the Ordinance in its original form and objectivity when introduced in 2002;

g. IT system of PARAL should be enabled to capture all purchase and business transaction by taxpayers, we should honestly and carefully examine whether the existing system or the system in its refined form is providing the desired results or would be capable to provide the desired results;

h. Collect data of stock exchange transactions and enquire the source of investment, without fear of fall of market;

i. Develop capacity of FBR to check under invoicing while improving this capacity, 3rd party may be used.

j. Denomination of highest money bill (note) be reduced to Rs. 1,000 instead of Rs. 5,000.

k. FBR be given powers to perform forensic audit of taxpayers where fraud in payment of government revenue is detected and proved.

Annex-A

List of Members of Prevention Committee on Tax Evasion

1)	**Rear Admiral Saeed Ahmed Sargana** Dy Chairman NAB	President
2)	**Ms. Aliya Rashid** DG (A&P)	Vice President
3)	**Syed Adil Gilani** Consultant TIP	Member
4)	**Mr. Sohail Ahmed** Ex-Chairman FBR	Member
5)	**Mr. Badar-ud-Din** Chief Sales Tax / FE (Policy) FBR	Member
6)	**Dr. Saeed Ahmed** Director (AC & MFD) / Rep: of State Bank of Pakistan	Member
7)	**Syed Asad Mashadi** Representative of FPCCI	Member
8)	**Mr. Rashid Ibrahim** FCA Representative of ICAP	Member
9)	**Mr. Munawar Hussain Shaikh** President PTBA	Member
10)	**Mr. Abdul Hafeez Khan** Director Ops NAB HQ	Member
11)	**Mr. Shumayl Aziz** ADPGA NAB	Member
12)	**Mr. Muhammad Tahir** Addl. Dir (A&P) NAB	Secretary