

ISLAMABAD: The Federal Board of Revenue (FBR) has received different budget proposals to check the cash economy in Pakistan by imposing restrictions on the use of cash above a certain limit from 2023-24.

One of the leading associations, ie, Pakistan Business Council (PBC) has asked the FBR to discourage the use of cash in the economy. Restrictions on the use of cash above a certain limit would also assist. The transit treaty with Afghanistan has been misused through diversion of goods to Pakistan.

The Afghan Transit Trade Agreement has expired, with the evolving situation in Afghanistan, Pakistan needs to look to renegotiate the treaty with clauses putting in quantitative and qualitative restrictions on what can transit, insist on letters of credit where possible, charge duty and GST on imports which would only be refunded to the Afghan government on exit, track and monitor containers, strengthen inspection of empty containers returning to Pakistan and make physical controls along the border stronger.

The provinces have little incentive to check smuggling as customs duty and GST evaded are federal taxes and do not hurt their revenues directly. Provinces may be incentivized to facilitate raids on shops that deal in smuggled goods.

In its budget proposals for 2023-24, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) proposed that the Pakistani government must focus on strengthening and encouraging the digitisation of the economy to formalise the economy and reduce tax evasion. Electronic payment systems must be promoted, with legislation prohibiting cash payment and severe penalties for non-compliance.