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Federal Tax Oversight Failures Cost Nation Over Rs397 Billion, Subcommittee Uncovers

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A recent parliamentary inquiry has revealed staggering tax mismanagement at the heart of Pakistan's revenue authority, with oversight failures costing the nation more than Rs397 billion. A subcommittee under the Public Accounts Committee (PAC) exposed severe negligence within the Federal Board of Revenue (FBR), citing years of uncollected taxes, mishandled duties, and a persistent culture of inaction.

Chaired by Shahida Akhtar Ali, the subcommittee convened to review audit reports spanning fiscal years 2010, 2011, 2013, and 2014. What emerged was a troubling picture of institutional dysfunction: large amounts of direct and indirect taxes, including customs duties, were left unrecovered due to bureaucratic inertia and inefficiency. According to audit officials, Rs6.5 billion in Sales Tax and Federal Excise Duty (FED) was never collected.

Further scrutiny revealed that 633 individuals had either underpaid or outright evaded taxes. Despite this, officials at 10 regional FBR offices failed to initiate any enforcement measures. Audit representatives noted that legal options allowing for forced recovery even without show-cause notices were never used. This neglect not only weakened the state's financial position but also undermined public confidence in tax compliance and fairness.

Adding to the concern, Pakistan International Airlines (PIA), a state-owned carrier, collected Rs2.5 billion in FED on air tickets but failed to deposit the amount into the national treasury. With PIA's privatization process still unresolved, taxpayers are now expected to shoulder this burden. The committee instructed relevant authorities to verify and recover the funds.

The lack of accountability extends further. In the 2013–14 fiscal year, 514 FBR agents did not deduct mandatory withholding taxes, causing a revenue shortfall of Rs24.15 billion. Another Rs71 million in assessed taxes was identified but remains uncollected. While one FBR official informed the committee that Rs16 billion has been recovered and verified, Rs452 million is still undergoing audit scrutiny.

The Federal Board of Revenue, charged with administering Pakistan's taxation system, has faced repeated criticism for inefficiency, favoritism, and weak enforcement. This latest revelation reinforces the urgent need for structural reform. It also highlights ongoing concerns over the government's commitment to fiscal discipline and institutional transparency, as noted by members of the Public Accounts Committee.

As Pakistan grapples with economic instability, the cost of misgovernance in revenue collection becomes harder to ignore. The findings indicate continued failures in enforcement and transparency within the FBR, which remain key concerns as Pakistan navigates economic challenges.