

By ICMA Research and Publications Department

FBR's Tajir Dost Scheme: Simplifying Tax for Small Traders

In an effort to support small businesses and stimulate economic growth, the Federal Board of Revenue (FBR) has launched the Tajir Dost Scheme, 2024. This pioneering program aims to transform how small traders and shopkeepers engage with Pakistan's tax system. As part of the 2024-25 budget, the government has introduced new revenue measures that stress rigorous enforcement, including potential imprisonment for traders who do not register under the Tajir Dost Scheme.

Registration Progress

By June 12, 2024, the number of registered traders increased to 30,400, up from 18,371 at the end of May, 2024. Consequently, the registration rate of traders has climbed to 0.95% in June from 0.57% in May.

Progress Report – Tajir Dost Scheme		
Timeline	Registered Traders (Number)	Registered Traders (%)
01 Apr 2024	0	0.00%
30 Apr 2024	100	0.00%
22 May 2024	16,175	0.51%
24 May 2024	17,000	0.53%
27 May 2024	18,371	0.57%
01 Jun 2024	21,870	0.68%
04 Jun 2024	23,497	0.73%
12 Jun 2024	30,400	0.95%
Target	3,200,000	100.00%

Figure 1: Progress report of Tajir Dost Scheme

Significance and Key Features of the Scheme

The Tajir Dost Scheme is a major step forward in simplifying the tax filing process for small businesses. By providing a simplified tax regime, it aims to encourage compliance and foster a more conducive environment for small traders and shopkeepers. This is particularly vital in the current economic climate. The scheme's collaborative approach, considering all stakeholders' perspectives, is key to its success. The key features of the Tajir Dost Scheme are:

- **Scope:** Targets traders and shopkeepers with fixed business locations.
- **Registration:** Required under Section 181 of the Income Tax Ordinance, 2001 by April 30, 2024.
- **Advance Tax:** Payments start on July 1, 2024, with the first due by July 15, 2024.
- **Calculation:** The FBR will provide the method for calculating monthly advance tax.
- **Incentives:** 25% reduction for lump sum payments or timely tax return filing.

Comparison with Previous Tax Schemes

Compared to earlier tax schemes, the Tajir Dost Scheme simplifies tax obligations, promotes compliance, and eases

the burden on small traders. It introduces monthly advance tax payments and offers incentives for lump sum payments or timely filing, distinguishing itself from previous schemes with a more streamlined and transparent process.

Challenges Faced by Traders

Traders may face several challenges in complying with the scheme such as:

- **Lack of Clarity:** Insufficient information on how to register.
- **Resistance to Compliance:** Voluntary compliance hindered by economic conditions.
- **Tax Burden Concerns:** Fears of higher taxes despite assurances.
- **Lack of Trade Body Collaboration:** Insufficient consultation with trade associations.
- **Undermining Tax Lawyers:** Concerns about registering without legal aid

To address these, the FBR needs to provide clear guidelines, engage with trade bodies, ensure no increase in tax burden, and clarify the role of tax lawyers.

Encouraging Traders to File Taxes

The Scheme includes several measures to facilitate tax filing by small traders without any legal aid:

- **Simplified Registration:** Easy sign-up via the FBR's Tax Asaan app, online portal, or Tax Facilitation Centers.
- **No Fees:** No registration fee or need for legal representation.
- **Inclusive Definition:** Encourages diverse small businesses to register.
- **Compliance Incentives:** Discounts for lump sum payments and timely filing.
- **Digital Payments:** Streamlined tax payment with electronic receipts.
- **Awareness Campaigns:** Keeps traders informed about the scheme.

The FBR is working closely with trade bodies to ensure effective communication and address the concerns of the trading community, promoting the scheme's successful implementation.

Conclusion

The FBR can ensure the success of the Tajir Dost Scheme by enhancing communication, simplifying the registration process, addressing tax burden concerns, collaborating with trade bodies and legal professionals, and maintaining a flexible policy framework. This strategy will foster a supportive environment for small traders and contribute to economic growth in Pakistan.