

## Following article ‘FBR’s anti-technology strides’ was published by Business Recorder on January 31, 2025



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### **FBR’s anti-technology strides**

*Business Recorder/Huzaima Bukhari, Dr Ikramul Haq and Abdul Rauf Shakoori*

“The Federal Board of Revenue (FBR) has become a significant barrier to the widespread adoption of QR code payment systems in Pakistan. FBR often sends notices to businesses when they implement QR code systems, which creates unnecessary stress and discourages further integration” —Dr Inayat Hussain, Deputy Governor of the State Bank of Pakistan, while briefing the Senate Standing Committee on Finance and Revenue on January 22, 2025

In an era commemorated by rapid technological advancements, QR codes have emerged as an innovative tool, transforming various industries, particularly in the realm of financial transactions. These scannable squares, increasingly integrating payment systems around the world, are offering businesses, governments, and consumers an efficient means of processing financial data. One of the most significant applications of QR codes is in e-invoicing, a practice that is reshaping tax compliance, financial transparency, and operational efficiency. By embedding necessary transactional information into a simple scannable code, QR codes simplify the invoicing process, reducing reliance on paper documents, and ensuring swift, secure and efficient processing of payments.

Widespread adoption of QR code-based e-invoicing offers the potential to foster greater financial inclusion by fewer cash payments, still prevalent in many parts of the world. In this context, governments benefit from a more efficient and accurate collection of taxes, which ultimately drives economic growth.

QR codes are not only improving speed and convenience of financial transactions but are also offering unprecedented levels of transparency in trade. This technology enables both businesses and governments to track transactions in real-time, which effectively reduces the chances of tax evasion, financial misreporting, and fraud. By providing a clear, verifiable trail of financial activities, QR codes contribute to a more accountable and transparent tax system, which unfortunately FBR does not like and insist on buying 1100 luxury cars to visit (sic) markets for actual stock taking etc. despite widespread criticism!

Several countries around the globe have embraced QR code-based e-invoicing as part of their efforts to modernize tax systems and improve revenue collection. Nations such as India, Argentina, Saudi Arabia, and Greece have implemented QR codes for e-invoicing, using the technology to streamline tax compliance and enhance the efficiency of their financial systems. These countries have recognized the benefits of QR codes in improving transparency, reducing administrative costs, and ensuring that businesses comply with tax regulations. For example, India’s Goods and Services Tax Network (GSTN) mandates the use of QR codes for large businesses and gradually extends the requirement to smaller businesses. The success of this initiative is largely attributed to the phased implementation strategy, which allows businesses to adjust and integrate the new technology without disrupting their operations.

Similarly, countries like Norway, Portugal, and Malaysia have effectively incorporated QR codes into their invoicing systems. In Norway, QR codes were initially used for Business-to-Government (B2G) transactions but have since been expanded to cover Business-to-Business (B2B) and Business-to-Consumer (B2C) transactions as well. The integration of QR codes within the PEPPOL framework for e-invoicing has further streamlined tax compliance in Norway, making the process more efficient and less burdensome for businesses.

Portugal, on the other hand, introduced mandatory QR codes on invoices in 2022, offering tax incentives to early adopters to encourage compliance. The success of Portugal's initiative demonstrates how incentivizing businesses can lead to a widespread adoption of new technologies. In Malaysia, QR codes are used as part of a phased e-invoicing rollout that targets high-revenue businesses first, allowing authorities to address initial challenges before extending the system to smaller enterprises.

Despite global success stories, Pakistan has till today been struggling to implement QR code-based e-invoicing. While the potential benefits of this technology are well established and undisputed, Pakistan's efforts to roll out QR codes have faced significant roadblocks. One of the primary challenges stems from FBR, the apex federal government agency responsible for tax collection.

Rather than fostering a supportive and encouraging environment for businesses, FBR has been taking a heavy-handed approach, alleged by Dr Inayat Hussain, Deputy Governor of central bank. He recently told the Senate's committee, "The merchants are afraid to use this technology because of tax-related issues with the FBR. Whenever merchants try to set up a QR code payment system, FBR sends them notices, and panic and confusion arise among businesses to embrace this technology". This imprudent/punitive attitude discourages many businesses from participating in the system, undermining its potential to drive transparency and compliance.

In Pakistan, the processes for onboarding merchants to the QR code system are cumbersome and time-consuming. From completing lengthy paperwork to opening bank accounts, businesses often face significant hurdles when trying to integrate QR codes into their invoicing practices. This complexity gets further exacerbated by Pakistan's inadequate digital infrastructure, especially in rural areas, where access to the internet and technological resources remains limited.

There is lack of awareness about QR code systems among small and medium-sized enterprises (SMEs), many of which continue to rely on traditional cash-based transactions. Prevalence of an informal economy, where cash payments dominate, adds another layer of complexity to the digitization efforts in Pakistan. Despite these challenges, Pakistan can look to the experiences of other countries to find solutions. India's gradual, systematic and step-by-step approach to implementing QR codes offers valuable lessons.

By starting with large businesses and gradually expanding to SMEs, India was able to minimize disruption and ensuring that businesses were well-prepared to comply with the new system. Public awareness campaigns and training programmes helped businesses understand the benefits of QR code e-invoicing, easing the transition and encouraging participation.

Pakistan needs to adopt a phased implementation strategy, starting with larger businesses and gradually bringing in smaller enterprises once the infrastructure and awareness are in place. Norway's success with QR codes also offers valuable insights.

By integrating QR codes within the existing PEPPOL framework for e-invoicing, Norway streamlined the process and minimized the need for businesses to adjust their systems significantly. This integration ensured that businesses did not face unnecessary barriers when adopting the new technology, while also providing a robust and secure platform for tax compliance. Pakistan could look to integrate QR codes within existing systems to ease the adoption process and minimize administrative burden for businesses.

Another important consideration is the need for strong collaboration between the public and private sectors. In many of the countries that have successfully implemented QR code-based e-invoicing, partnerships between government agencies, fintech companies, and private businesses have played a key role in ensuring success of the system.

In Pakistan, engaging with fintech companies to develop user-friendly solutions tailored to the needs of local businesses could help overcome technological barriers. Additionally, investing in digital infrastructure, especially in rural areas, will be essential to ensuring that small businesses have access to the tools they need to participate in the system.

Pakistan could also learn from the experiences of countries like Argentina and Portugal, which have successfully incentivized businesses to adopt QR codes. Offering tax benefits or other incentives to early adopters could help drive adoption in Pakistan. Providing free or subsidized QR code invoicing software to small businesses could further reduce the barriers to entry and encourage widespread participation. Additionally, public-private partnerships could be leveraged to introduce cost-effective solutions that are customized to the unique needs of Pakistan's businesses.

The potential of QR code-based e-invoicing to transform Pakistan's tax system is undeniable. By improving transparency, reducing tax evasion, and increasing government revenue, QR codes could play a key role in modernizing Pakistan's financial infrastructure. However, achieving this potential will require a shift in approach.

FBR must move away from retaliatory measures and focus on facilitating businesses' adoption of QR code systems. Simplifying registration processes, providing incentives, and offering training programs will be essential to ensuring that businesses are equipped to use the technology effectively. Simultaneously, Pakistan must invest in its digital infrastructure, immediately pass private data protection law, and collaborate with international organizations to secure funding and technical expertise for digital transformation.

Ultimately, the successful implementation of QR code-based e-invoicing in Pakistan will not only enhance tax compliance and revenue collection but will also contribute to a more inclusive and equitable economy. By overcoming the challenges that currently hinder adoption of this technology, Pakistan can pave the way for a more transparent, efficient, and growth-oriented tax system.

The key to success lies in adopting a comprehensive strategy that addresses unique challenges faced by businesses, especially SMEs while fostering a culture of transparency and accountability in tax administration. Therefore, with the right support, Pakistan can harness the full potential of QR code technology and transform its fiscal landscape for the betterment of economy and citizens.

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**Following rebuttal was issued to Business Recorder on February 03, 2025 in response to an article published on January 31, 2025 titled ‘FBR’s anti-technology strides’**

**State Bank of Pakistan rebuts contents of article titled ‘FBR’s anti-technology strides’ published in Business Recorder on Friday, 31 January, 2025.**

In an article published in the Business Recorder on Friday, 31 January, 2025 titled “FBR’s anti-technology strides”, it has been mentioned that Dr. Inayat Hussain of the State Bank of Pakistan, while briefing the Senate Standing Committee on Finance and Revenue on January 22, 2025 made the following statement “The Federal Board of Revenue (FBR) has become a significant barrier to the widespread adoption of QR code payment systems in Pakistan. FBR often sends notices to businesses when they implement QR code systems, which creates unnecessary stress and discourages further integration.”

The State Bank of Pakistan (SBP) would like to categorically reject the above assertions made in the article and would like to clarify that neither Dr. Inayat Hussain nor any other SBP official made the alleged statement regarding the Federal Board of Revenue (FBR) being a barrier to the adoption of QR code payment systems in Pakistan. It is also hoped that media persons, columnist and authors will check the veracity of statements attributed to SBP officials before filing their news story.

**Following rebuttal was published in Business Recorder, Karachi on February 04, 2025**



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**‘FBR’s anti-technology strides’**

**Business Recorder/Letter**

This is apropos an op-ed titled “FBR’s anti-technology strides” carried by the newspaper last Friday. It has been mentioned by the writers, Huzaima Bukhari, Dr Ikramul Haq and Abdul Raof Shakoori, that Dr Inayat Hussain of the State Bank of Pakistan, while briefing the Senate Standing Committee on Finance and Revenue on January 22, 2025 made the following statement “The Federal Board of Revenue (FBR) has become a significant barrier to the widespread adoption of QR code payment systems in Pakistan. FBR often sends notices to businesses when they implement QR code systems, which creates unnecessary stress and discourages further integration.”

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Noor Ahmed

Chief Spokesman State Bank of Pakistan (SBP)