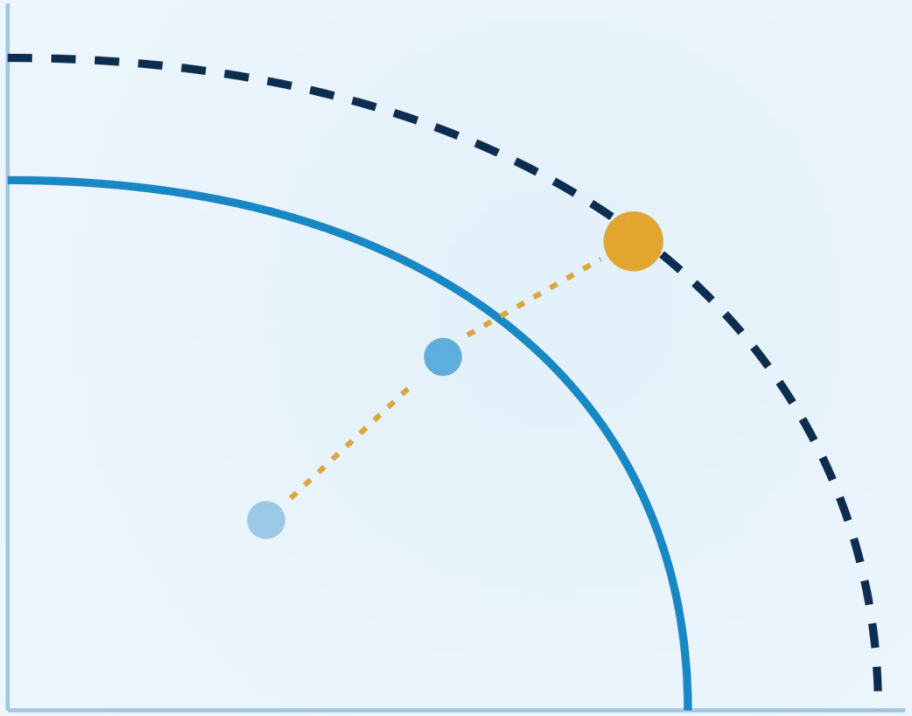
Pakistan Tax Conference 2026 · Session 5

Moving the frontier

Digitalization, compliance and taxpayer trust at the Federal Board of Revenue



Dr. Hamid Ateeq Sarwar

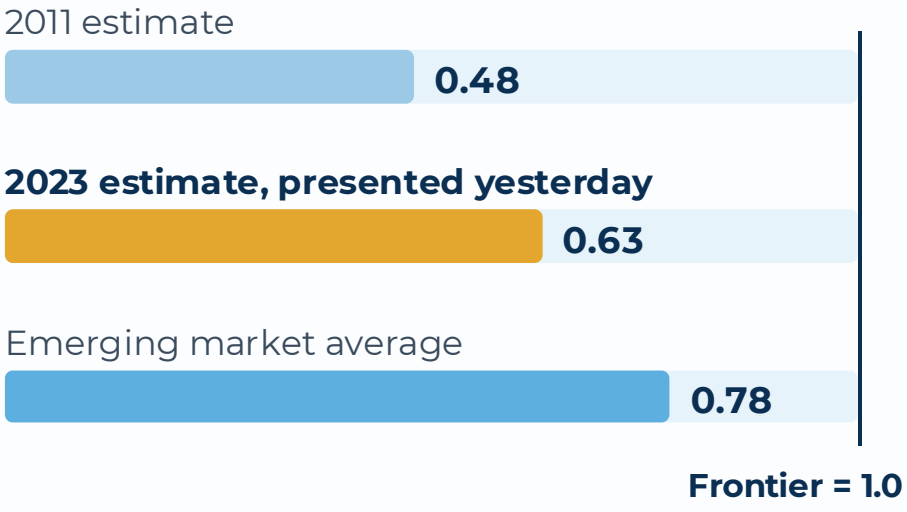
Member (Strategic Transformation), Federal Board of Revenue

Two frontiers: how much we collect, and how well

Pakistan sits inside both. The task for tax administration is to close that distance.

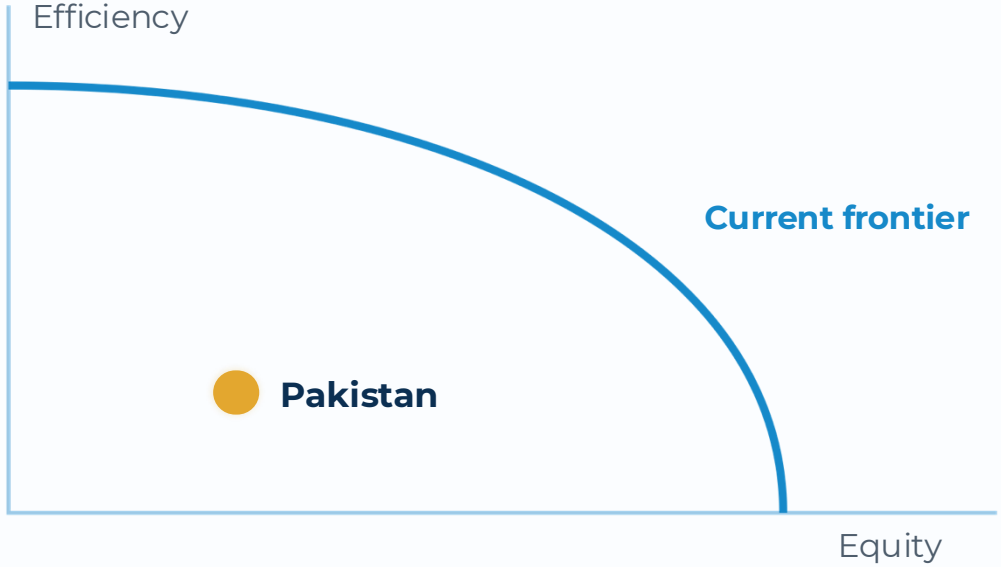
How much: the tax frontier

Tax effort is the revenue we collect as a share of the most an economy like ours could collect.



How well: the fiscal frontier

At the same revenue, a system can be both more efficient and fairer. Inside the frontier, both improve together.



Tax effort: Fenochietto and Pessino (IMF, 2013); Fenochietto, Pessino and Fenochietto (CEMA, 2025); IMF Staff Discussion Note 2023/006. Fiscal frontier: World Bank, Raising Revenue Right (2026).

We are already moving toward it

FBR revenue rose from 8.8% to 10.3% of GDP in FY25, and better compliance did most of the work.

Where each year's increase came from

Inflation · New taxes and rates · Compliance

FY24 increase, Rs 2,136 bn



FY25 increase, Rs 2,445 bn

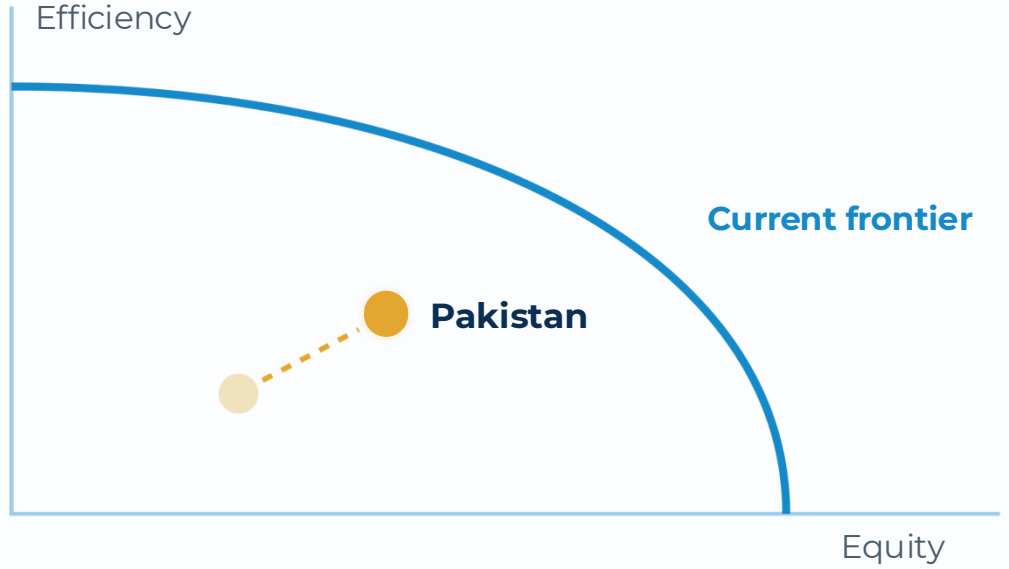


8x Revenue from better compliance rose from Rs 105 bn in FY24 to Rs 874 bn in FY25.

Exemptions also fell, from 4.6% of GDP in FY23 to 2.07% in FY25.

More revenue, fewer distortions

Removing exemptions and enforcing on the base moves us up and to the right at the same time.



FBR decomposition of revenue growth, FY24 and FY25; FBR Tax Expenditure Reports · Federal Board of Revenue

Technology, transparency and trust move the frontier

The World Bank's three Ts, and what FBR has in place for each

TECHNOLOGY

Tools to see what is taxable

80,605 businesses registered for digital invoicing

Production monitoring in **18** sectors

AI risk engines: CRM, DIVE and TCMS

TRANSPARENCY

A clearer view of income and wealth

Bank, land and vehicle records linked to taxpayer profiles

Offshore account data under the Common Reporting Standard

NADRA identity checks fully integrated

TRUST

Reason to believe the system is fair

70% of taxpayers have confidence in FBR

Faceless processes remove discretion

Notices give time to self-correct first

World Bank, Raising Revenue Right (2026); FBR; Ipsos taxpayer survey (2026) · Federal Board of Revenue

What we have built, layer by layer

Trusted identity makes better services possible, which create richer data, which allow smarter enforcement.

Identity

NADRA verification, stricter KYC and an AI model to find people who should be filing

Services

Registration, filing, e-payment and refunds in one journey, with pre-filled returns and a chatbot

Data exchange

Banks, provinces, utilities, land and vehicle records feeding one taxpayer profile

Intelligence

CRM, DIVE and TCMS score risk and send each case to the right officer

Accountability

A home-grown delivery unit and a central control unit watching every intervention

Results					
	Identity checks live in IRIS	**71% now file in an hour or less**	**20+ data sources linked or in progress**	**Rs 250 bn in CRM's first year**	**Delivery unit since December 2024**

FBR Transformation Plan; Ipsos taxpayer survey (2026); FBR and World Bank CRM evaluation · Federal Board of Revenue

Third-party data now flows into one taxpayer profile

Flagged filers must settle their tax position before a property or vehicle transfer goes through

Live — Connected and in use

NADRA
Identity, family tree, address and deceased persons

Commercial banks
Large deposits, cash withdrawals, card spending, profit on debt

Gas utilities
SNGPL and SSGC billing through digital invoicing

Mobile numbers
Verification at registration

Petroleum Division, Ministry of Industries, AJK
Levy, production and sales tax data

In progress — Being connected now

Land records
Punjab interface in beta; other provinces under development

Vehicle registration
Provincial excise departments and Islamabad

Electricity companies
Nine distribution companies and K-Electric moving to digital invoicing

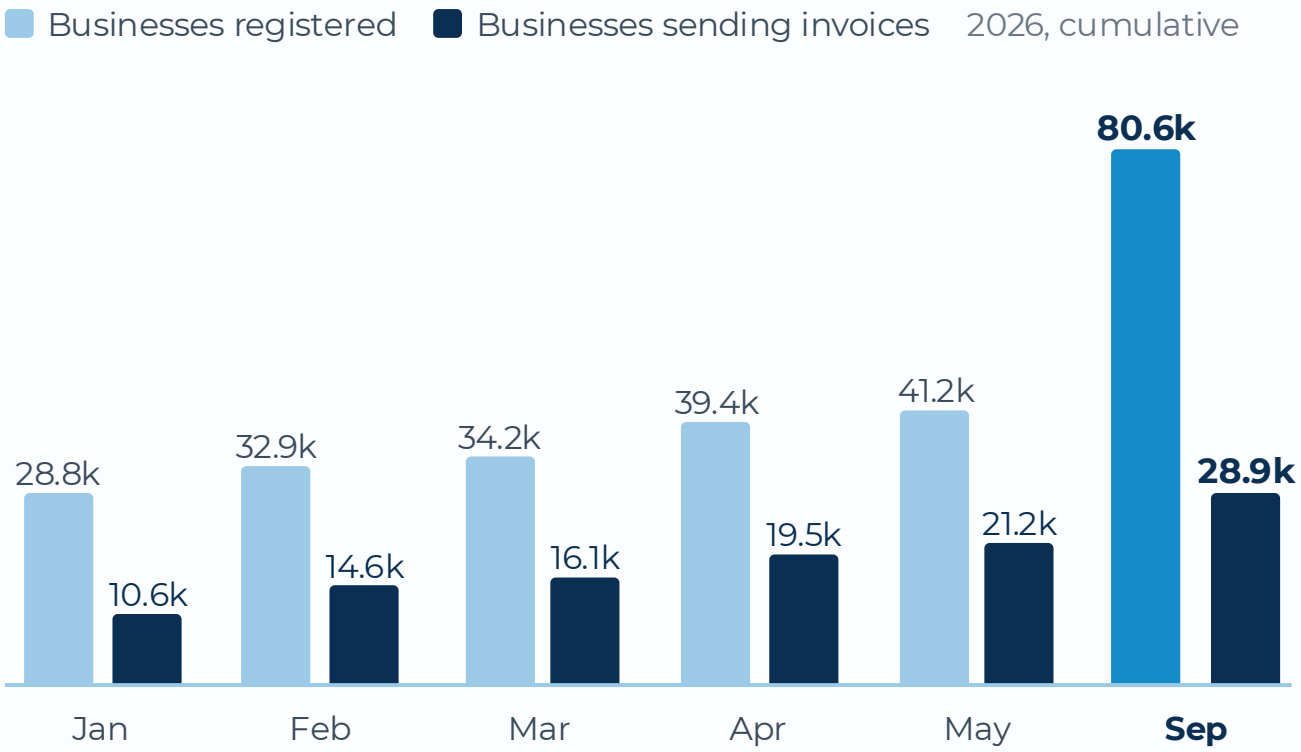
Provincial revenue authorities
Revised agreement signed; services start with restaurants

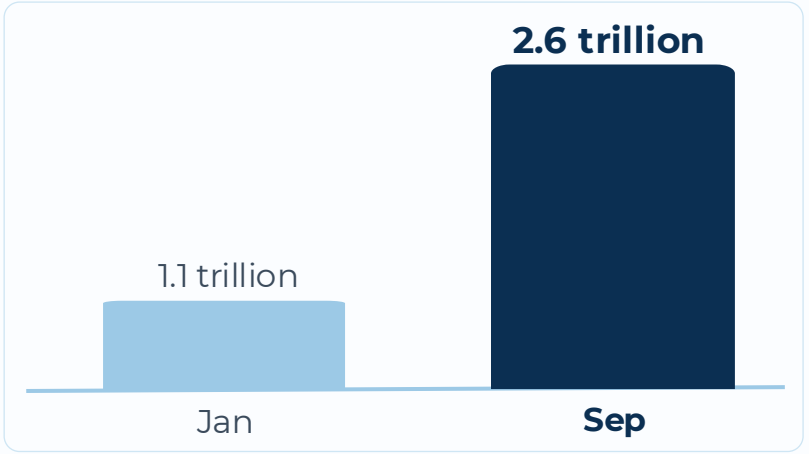
Government payroll and contracts
Salary and contract payment data from AGPR

FBR IRS data linkages status, September 2026 · Federal Board of Revenue

Digital invoicing has been live since September 2025

Every invoice reaches FBR in real time and is matched against the monthly sales tax return





Number of invoices being generated increase by 136% from January to September.

Registrations nearly tripled this year, to 80,605.

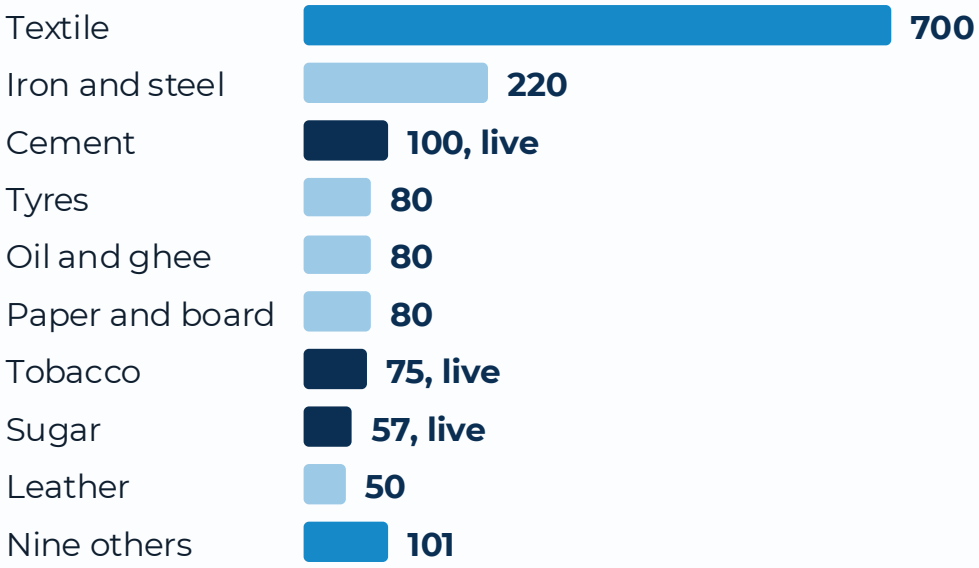
FBR digital invoicing integration tracker, January to September 2026 · Federal Board of Revenue

Production monitoring now covers 18 sectors

Cameras, laser counters and tax stamps count what leaves the factory, in sectors with about Rs 1.6 trillion of sales tax gap

Live (5) Rolling out (6) Pilot (7)

Sales tax gap by sector, Rs bn





Live feeds: cotton bales at a spinning mill (top), cement and sugar packing lines (below)

FBR digital production monitoring, September 2026; tax gap estimates FY25 · Federal Board of Revenue

Risk engines decide where officers look

From raw data to a case on an officer's screen, with fewer arbitrary contacts for everyone else



CRM

Machine learning compares each sales tax filer with its peers and selects cases for follow-up

DIVE

Checks property, vehicles, travel and bank activity against declared income

TCMS

Matches third-party records to returns and follows each gap through to resolution

CCU

A central control unit monitors every digital intervention around the clock

Rs 250 bn

raised in the CRM's first year, about 85% of it from taxpayers correcting their own behaviour rather than from audits

FBR; Farooq (2025); Lacoste and Farooq (2025); FBR and World Bank CRM evaluation · Federal Board of Revenue

When the AI flags a firm, the firm moves into the formal chain

A randomised trial on 12,760 flagged sales tax filers, run by FBR with the World Bank

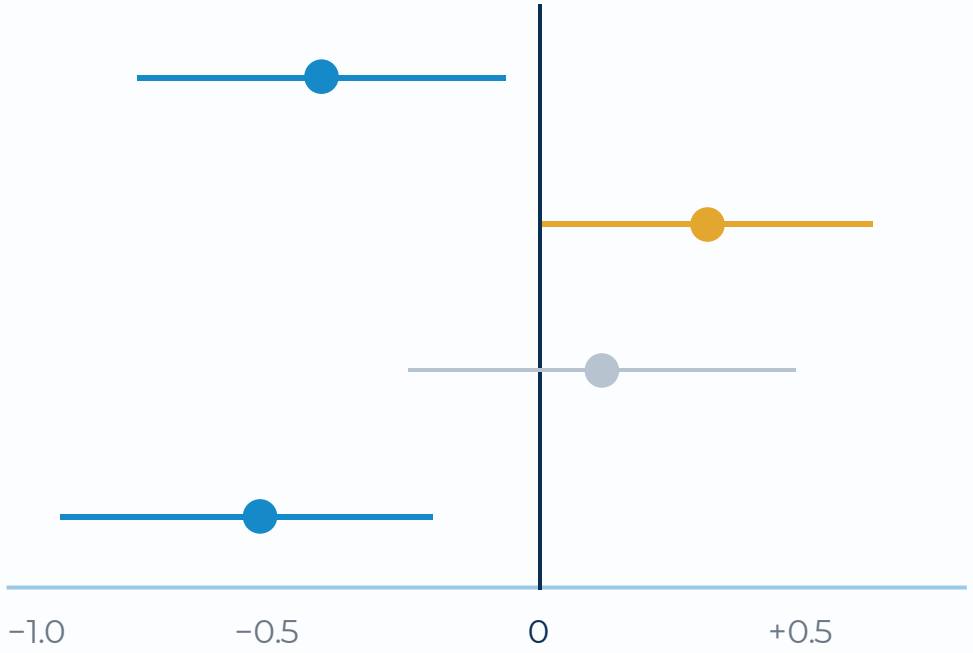
Effect of the notice, with 95% confidence interval

Buying from unregistered suppliers
−0.41, p = 0.02

Buying from registered suppliers
+0.31, p = 0.05

Total purchases
+0.11, not significant

Selling to unregistered buyers
−0.53, p = 0.002



−9.7%

fall in the share of purchases from unregistered suppliers

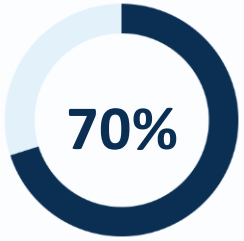
Same volume

Firms switched to registered suppliers; they did not buy less

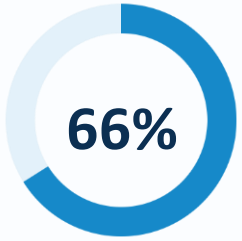
Farooq, Sarwar, Karver and Chaudhry (2026), FBR and World Bank. Placebo-corrected difference in differences; outcomes in inverse hyperbolic sine.

Taxpayers are starting to feel the difference

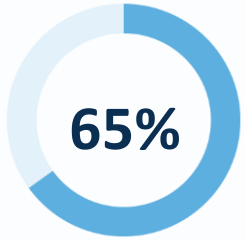
Independent survey of 616 taxpayers, with interviews of large taxpayers, advisers and banks, April 2026



have confidence in FBR



trust FBR as an organisation



rate its performance positively

71%
file their return in an hour or less

83%
satisfied with how IRIS performs

77%
of users say pre-filled data is accurate

80%
of two-factor users say it raises their trust

Where we still have work

Only 57% find the forms easy. Self-employed filers take 117 minutes against 60 for salaried. Corporates still cite refund timelines.

Ipsos, Stakeholder Perceptions on Taxpayer Facilitation Reforms by FBR, 2026 · Federal Board of Revenue

Next: a faceless operating model

Audit, assessment and field work are separated, so no single officer controls a case from start to finish



Faceless audit

Risk-based audits allocated by algorithm, with no power to recover or demand



Faceless assessment

Orders, refunds and exemptions decided centrally and anonymously



Field operations

Registration, recovery and base broadening, with no power to assess

For the taxpayer

- A dashboard showing all the data FBR holds, with a way to dispute each item
- 30 days to self-correct after a nudge, before any formal notice
- An AI quality check on every notice and order before it is issued

Where this takes us

Technology
lets us see what is taxable

Transparency
shows us what was hidden

Trust
turns better systems into voluntary compliance

First, we close the distance to the frontier. Then we move the frontier itself.

