

Tax Review/Taxation

Daily Alert Services

Huzaima & Ikram
August 26, 2013

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Kind regards

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Tax on a man's castle

by
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The Punjab government has only recently through the Finance Act levied a one-time ['luxury' tax](#) on houses measuring two kanals or more in certain areas of Punjab. At present, the same is being imposed only in certain arbitrarily chosen areas of Lahore. Homeowners in New Garden Town and Model Town have received notices demanding 0.5 or one million rupees or more, on houses varying from two kanals to less than four kanals, four to less than eight kanals, and eight kanals and more, respectively. As the dates for payment near, petitions have been filed before the Lahore High Court against the levy. Legal arguments on the touchstones of discrimination, double-taxation and the violation of fundamental rights shall, of course, be argued threadbare, before the courts and since the matter is sub judice, one ought not get into the same. However, one can, of course, talk about the policy and economic aspects of the levy, things that are more properly talked about here, than in court.

At the outset, quite how a house, which is a home, can be deemed a luxury, is debatable. A person's fundamental right to life includes the right to a home. Having a home is an essential right, a good, like education. No matter how much one spends on one's home or, for that matter, education, surely it is none of anyone's business to tax it. This is especially so, as homeowners are paying property tax on their homes already.

One understands and would agree that if one owns more than one house, then it can be argued that the second house is a luxury and that should be taxed.

It seems that the provincial government is itself somewhat embarrassed by the levy: it describes this levy as only 'one-time', as if this in any manner justifies it. Perhaps it thinks the taxpayer will not complain. The issue still remains — either the tax is sustainable in policy or it is not, be it perpetual or one-time.

Like most populist steps, this step is hollow at its heart. Mr [Shahbaz Sharif](#) is often prone to roaring against the rich. But the rub lies in the fact that he does not tax them proportionately. While this tax is in name a tax on 'luxury', this is not a significant tax on the rich. The maximum ceiling for the tax is Rs1.5 million. A house on eight kanals will be charged the same amount as a tycoon living in a 230 kanals palace. Rs1.5 million is a pittance for a multibillionaire but for a lower middle class family living in a four kanal inherited house, paying one million rupees is huge chunk of their income and well-nigh impossible to pay.

Speaking of billionaires having to pay tax on their palaces, all of this is only if the place or the palace is taxed at all. Therein lies another huge loophole and weakness of this levy. What areas get levied with this tax is

left up to the unguided whims of the executive, which can arbitrarily decide as to which areas fall within the taxed category and which do not. The absurdity of this aspect of the levy is highlighted when one notes that some of the posh areas of Lahore do not have to pay this so-called luxury tax at all.

While being difficult for the taxpayer, the excise department seems to be proceeding with this hugely unpopular levy in a very considered and intelligent manner. It is keeping the speed of issuance of the notices slow. Had all of Lahore received the notices on the same day, the city would have been in an uproar. This way, it slowly chokes out the taxpayer.

Ultimately, it is clear that the incidence of this tax would really be most greatly felt by the middle class homeowner, a class already devastated by rising [inflation](#) and various taxes. It would, thus, be better if the government withdrew the same and perhaps, actually taxed the rich on their luxuries, rather than simply dressing up a tax on the middle class, with empty rhetoric and faulty implementation, while leaving loopholes for the rich to exploit

Conditions of IMF met for \$7.3 billion bailout package

The IMF's executive board will consider Pakistan's request for providing a fresh bailout package of \$7.3 billion by September 4 in its meeting in Washington as Islamabad has fulfilled all prior requirements.

These included mopping up of dollars from the market to boost the government's dwindling foreign currency reserves, The News has learnt.

After signing a Letter of Intent (LoI) by the Finance Minister and Governor State Bank of Pakistan (SBP) requesting the IMF to provide a \$7.3 billion package, the Fund has circulated Islamabad's request among members of its executive board who will now consider it for a fresh bailout package.

The IMF staff had so far agreed to provide \$6.6 billion to Pakistan under the Extended Fund Facility (EFF) but Islamabad wants to raise it to \$7.3 billion."Yes, we have signed an LoI and the IMF's executive board is scheduled to meet on September 4 to consider Pakistan's request for providing a fresh package," Federal Minister for Finance, Ishaq Dar confirmed to The News when asked last weekend.

He said Pakistan has fulfilled all prior actions, rather exceeded, some targets which will pave the way for getting a quick approval. However, sources said that the economic managers fulfilled the prior conditions by a huge and unprecedented rise in the electricity tariff for industrial and commercial consumers. On the fiscal side, the government also claimed to take the provinces on board for posting revenue surpluses and the Federal Board of Revenue (FBR) started sending notices to potential tax dodgers in order to broaden the narrow tax base.

"It is not yet known whether the sending of notices will yield any positive results of increasing revenues or not," said an insider of the FBR but added that by the last weekend the FBR had sent around 15,000 notices.

To fulfill prior conditions on part of the SBP, there are two types of anchors in the hands of the central bank to curtail inflation. These are called the exchange rate anchor and the Federal Board of Revenue (FBR) started sending notices to potential tax dodgers in order to broaden the narrow tax base.

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These are called the exchange rate anchor and the monetary policy anchor. The central bank has so far used the exchange rate anchor to tame inflation as the rupee witnessed a substantial slide against the US dollar in recent weeks.

Under the IMF programme, there are quarterly quantitative targets on account of Net Foreign Assets (NFA) in order to boost foreign currency reserves. Under the prior action, the SBP was asked to mop up dollars from the market by purchasing to the tune of \$375 million. But because of the timely provision of an IDB loan to the tune of \$150 million, this mop up operation remained limited to the tune of around \$225 million.

But top bosses of the SBP do not agree to this assertion as they say that there is need to analyse the situation prevailing among this region as well as among other regions of the world. Despite having far more foreign currency reserves, India was unable to defend its rupee.

The SBP also announced to unveil its next monetary policy on September 13 and the main reason for this delay cited by the bank was the frequent holidays in August on account of Eid and Independence Day and it was not advisable to announce the policy a few days ahead when the latest inflation figures will be released a few days after this policy. – *Courtesy International The News*

Taxpayer's assessment record: FBR required to maintain confidentiality

Federal Tax Ombudsman (FTO) Abdur Rauf Chaudhry in a landmark judgement holds that any person who in contravention of the provisions of Section 216 of Income Tax Ordinance 2001 discloses any particulars borne on a taxpayer's assessment record is guilty of an offence which is punishable, on conviction, with fine or/and imprisonment for a term not exceeding six months.

When contacted a Lahore-based tax lawyer Waheed Shahzad Butt told about the details of this case. The provisions of Section 216 the Income Tax Ordinance, cast a statutory responsibility on the FBR to ensure the integrity of a taxpayer's assessment record. Maintaining confidentiality of all information contained in the

assessment record of taxpayers is the responsibility of the concerned office of the FBR where the data is stored/maintained.

Tax lawyer further stated that in this landmark investigation by the FTO office, leakage of sensitive information from the Complainant's assessment record is evident from the fact that direct references have been made to information borne on the complainant's income tax returns and wealth statements. This shows that the department has not been able to ensure the integrity of complainant's assessment record and this lapse is not only tantamount to maladministration as defined in Section 2(3) of the FTO Ordinance but illegal access to Complainant's assessment record also constitutes data theft under Section 216 of the Ordinance. Data theft is a very serious and sensitive problem primarily perpetrated by office workers with access to technology and record such as desktop computers and hand-held devices capable of storing digital information such as USB flash drives, iPods and even digital cameras. Any leakage of classified and confidential information, legally this is a clear violation of terms of employment under FBR. Data theft in shape of picking tax record of individuals or act of stealing computer-based information is a severe criminal offence also falls under the category of Cyber Crimes. In order to curb the malpractice copy of the recommendations issued by the FTO has been forwarded to the National Response Centre for Cyber Crimes (NR3C) wing of FIA for initiating criminal investigation into the matter, as per law.

Sources said that earlier FBR has announced the forensic investigations on theft of the tax return data of the parliamentarians and the report would be set to the parliament. Chairman FBR made it clear that the people involved in the data theft would be unveiled, adding that criminal suits would be initiated against them.

Similarly FBR has decided to place new safeguards in the database of taxpayers to ensure security of sensitive, confidential and classified data by enhancing existing security features in the electronic systems maintained by FBR.

It is worth mentioning that the FBR had taken the decision at the level of the last Board-in-Council meeting chaired by Chairman Tariq Bajwa. Board-in-Council discussed the issue of security of data and taken measures to improve security features. The Board-in-Council directed Pakistan Revenue Automation Limited (PRAL) to look into any loopholes in the existing security system and also

to enhance the existing security features so that sensitive data was not compromised. Earlier while deciding complaint C.No 507/2013 former FTO Dr Shoaib Suddle has observed that the FBR appears to have badly failed to devise a secure automated online system to safeguard confidential and classified data of taxpayers. The FBR had been directed to commission a thorough investigation by a credible third party in relation to the vulnerabilities of the FBR e-system. – *Courtesy Business Recorder*

Medicines from India: MCCs directed to allow import

The Federal Board of Revenue (FBR) has directed Collectors of Customs to allow import of Indian origin medicines, in relaxation of the Import Policy Order, for the TB Control Programme Khyber Pakhtunkhwa under Global Drug Facility donations. Sources told here on Sunday that the FBR has issued instructions to the Model Customs Collectorates (MCCs) to permit import of Indian origin medicines with the said specifications.

According to the details, the Global Drug Facility (GDF) with the financial support of German Financial Co-operation, through German Development Bank (KfW) has donated free of cost anti-TB medicines to TB Control Programme Khyber Pakhtunkhwa, being implemented by the Ministry of Inter Provincial Co-ordination (MOIPC). TB Control Programme Khyber Pakhtunkhwa is implementing its activities for the control of Tuberculosis in KPK. The programme receives in-kind support through donations from the international donors and provides free of cost diagnostic and treatment facilities to TB patients in KP.

Sources said that the international donors including GDF procure Anti-TB drugs from the world-wide WHO accredited/ certified manufacturers, who are based in India. The GDF has donated TB medicines of Indian origin to NTP, which are required to be shipped from India.

As per Appendix-G of the Import Policy Order, 2013, these medicines of Indian origin are not importable; therefore, GDF has approached Ministry of Commerce for permission to allow release of Indian origin medicines, sources said.

In view of the legal status, Ministry of Commerce supported the request of the GDF to release these free donated imported medicines of Indian origin in relaxation of the Import Policy Order, 2013. The matter, however, is to be examined by the committee

constituted vide Prime Minister Secretariat's U.O NO. 1(79)/DS (E-I-II)/08 dated 20-10-2008. The relevant file of the issue is, therefore, being routed through members of the said Committee. Approval of the Prime Minister was solicited on the proposal by the Commerce Ministry.

Consequently, the Prime Minister has allowed release of the above mentioned free donated imported medicines of Indian origin in relaxation of the Import Policy Order, 2013 donated by the Global Drug Facility, sources added. – *Courtesy Business Recorder*

F.No.1(10)Jurisdiction/2013/110489-R

Islamabad, the 21st August, 2013

ORDER

In exercise of the powers conferred by Sub-Section (1) of Section 209 of the Income Tax Ordinance, 2001, Sections 30 and 31 of the Sales Tax Act, 1990 and Section 29 of the Federal Excise Act, 2005, Federal Board of Revenue is pleased to transfer the jurisdiction over the case of M/s Ansar Traders, NTN 2631851-2, from Chief Commissioner Inland Revenue, RTO, Abbotabad to Chief Commissioner Inland Revenue, RTO, Peshawar.

2. This order shall take immediate effect.
