

# Tax Review/Taxation

## Daily Alert Service

Huzaima & Ikram  
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Kind Regards,

**Huzaima Bukhari**  
Editor

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## Tax Directory of all

by  
*Huzaima Bukhari & Dr. Ikramul Haq*

‘All lawmakers are taxpayers’—Finance Minister, Ishaq Dar,  
*Business Recorder*, January 7, 2014

On the first day of 2014, the Chairman Federal Board of Revenue (FBR), while appearing before Public Accounts Committee, offered an illegal, rather obnoxious interpretation, that since “tax has been deducted from salary of a parliamentarian, therefore, he/she cannot be considered as a tax defaulter”. One wonders how ignorant is Chairman FBR and parliamentarians. Are they really ignorant of the fact that under section 182(1) of the Income Tax Ordinance, 2001 penal action is warranted for not filing income tax returns and/or wealth statements? People want to know how our innocent and ignorant members of parliament survive on salary as sole source of income vis-à-vis their style of living—sprawling bungalows, luxury cars, army of guards and foreign travels, just to mention a few.

Unfortunately, the loyal Chairman FBR was defending the indefensible. An editorial of English newspaper summed it up brilliantly: “For them to say that they pay income tax is disingenuous; after all the salaries they receive as members of parliament have taxes deducted at source. But few, if any, members of parliament rely solely on this income. They usually have business interests, property and agricultural concerns on which they either pay no tax or severely underreport their income. We expect our politicians to lie to us, be it about taxation or any other matter, but the FBR should not be part of the cover-up”.

The editorial went to say that “tax dodgers are aided in their lawlessness by the FBR, where corruption reigns from the very top to the bottom. The higher-ups have political connections that lead them to turn a blind eye to tax evasion by the wealthy while the tax collectors at the bottom are happy to accept a personal bribe in lieu of paying taxes. To try and change this rotten culture is why we put pressure on parliamentarians to make public their tax returns. We have been misled too often to take them and their cronies at their word when they deny cheating the nation”.

On January 7, 2014, the Finance Minister informed Senate that FBR was directed to ensure issuance of National Tax Numbers (NTNs) to parliamentarians by January 31, 2014. Mr. Ishaq Dar said “a wrong impression has been created that Pakistani lawmakers do not pay taxes, while income tax was regularly being deducted from the salaries of all members of Senate, National and Provincial Assemblies”. The minister said the last date to file tax returns for the MPs was December 16, 2013 and now after issuance of NTN numbers, the tax details of all MPs would be made public by February 15, 2014. Dar pointed out that Chairman

FBR had already given a detailed briefing to Public Accounts Committee of National Assembly on the issue. In order to remove misperception, he added, the FBR had also set up desks in parliament to facilitate MPs, but even then some 12 percent members could not get their NTN. He said in the first phase, tax details of parliamentarians would be made public and in the next phase tax details of all taxpayers would be published within two months. The statement made by the minister was appreciated by opposition senators. Aitzaz Ahsan, leader of opposition in Senate, specially thanked the minister and said the step taken by him was commendable.

The statement by Mr. Ishaq Dar confirmed that the report, '**Taxation by Misrepresentation**', (<http://cirp.pk/TAXATION%20BY%20MISREPRESENTATION.pdf>), released jointly by the Center for Investigative Reporting in Pakistan (CIRP) and Sustainable Development Policy Institute (SPDI), was correct. The report claimed that "out of 1,070 lawmakers voted to the national and provincial assemblies in the 2013 elections, 47 percent did not pay income tax and 12 percent of these members do not have a National Tax Number (NTN). Non-taxpaying MNAs are in all the major parties. The PML-N has the lion's share with 54 such MNAs. PTI follows with 19 non-taxpaying MNAs. The PPP has 13, JUI-F seven and MQM five. The PkMAP and JI have three each. The AAPML, PML, ANP and NP have one each MNA in this category". The CIRP in its 2012 report, '**Taxation without Representation**' exposed that "in both Houses of the Parliament, the Senate and National Assembly, there are 446 lawmakers and 300 of them have turned out to be tax-dodgers. Among them are those 88 MPs who don't have National Tax Number (NTN), let alone paying income tax. There are 16 MNAs whose taxes couldn't be examined due to lack of basic information like NTNs and Computerized National Identity Card (CNIC) numbers—one Senator from the calamity-hit area claimed tax exemption and one National Assembly seat is vacant"—(<http://www.cirp.pk/Electronic%20Copy.pdf>).

According to a news item in *Business Recorder* (January 8, 2014), the FBR will allocate NTNs to the parliamentarians taking into account nomination papers filed by the contesting candidates for Elections-2013 with the Election Commission of Pakistan (ECP). Out of nomination papers, the FBR has collected the CNICs of all the winning candidates of Election-2013. The FBR will differentiate between the non-NTN holders and NTN holders. A separate list of non-NTN holder parliamentarians would be finalised. On the basis of CNICs, the FBR will allocate the NTNs to the non-NTN holder parliamentarians and deliver the same to them for becoming compliant taxpayers. During the whole exercise, the parliamentarians may not voluntarily come forward and inform the FBR about their NTN status. At the same time, the process of filling of NTN forms may not be adopted by the parliamentarians. The FBR will itself complete the whole process and issue the NTNs to parliamentarians to facilitate them.

In pursuance of directions of Finance Minister, the FBR will ensure issuance of NTN's to all the parliamentarians by end of January 2014. In the past, on the request of the Senate Standing Committee on Finance, the FBR decided to establish a cell or office at the Parliament House to assist parliamentarians in obtaining NTN's and filing of income tax returns. The members of the committee had asked the FBR chairman to set up offices in the parliament and provincial assemblies to issue NTN's to them. At that time, the parliament secretariat had not provided any place to the FBR for setting up "Special Advisory Desk" to assist parliamentarians, including Members of National Assembly and Senate in obtaining NTN's. The FBR had also contacted the secretariat for deputation of tax officials for assisting the parliamentarians in obtaining NTN's or discharging their tax liabilities. The FBR had deputed senior tax officials to assist parliamentarians in discharging their tax liabilities, including filing of income tax returns. In this connection, the FBR had finalised the arrangements for setting up office at the Parliament House and waited for the response of the parliament secretariat. The entire scenario suggests that FBR feels helpless in dealing with the tax delinquents sitting in the parliaments. This is the tragedy of Pakistan—lawmakers are lawbreakers.

Tax system is one of the fundamental elements of constitutional democracy. The questions such as who is to be taxed, how much and for what purposes, are constitutional issues to be settled by the legislators—if elected members do not discharge their tax obligations diligently, the entire democratic system gets discredited. The imposition, administration and enforcement of taxes raise problems about the rule of law, proper division of powers and the role of judiciary etc. The exposure by CIRP that almost 70% of legislators did not file tax returns in 2011 presented a shameful scenario. The situation, as elaborated by latest joint report of CIRP-SDPI, is equally shocking. No society can even perceive that its legislators are tax delinquents—for some it is nothing short of subversion of constitution for which Musharraf is facing trial these days. The legislators are under oath to work within the four corners of supreme law of the land and their sovereign power to levy taxes stands nullified if they commit *en masse* violation of tax laws enacted by them!

No taxation without representation is a cardinal principle of democracy—Article 77 of our constitution says that **no tax shall be levied for the purposes of the Federation except by or under the authority of the Act of Parliament.** The reports of 2012 and 2013, prepared by CIRP/SDPI, show that this principle is perpetually and flagrantly violated by the legislators themselves. Implementation of Rule of Law determines the failure or success of a society. In the tax context, it means that taxes shall be imposed through a proper consultation method, through parliamentary process, rather than through administrative discretion [statutory regulatory orders (SROs)] and the resulting legislation must be respected by all.

The name and shame game in tax non-compliance, however, should not be confined to the members of parliaments alone. It must cover all, especially the powerful segments of society. All persons in the service of Pakistan, holding public offices and elected should file wealth statements conforming to their declaration of assets and liabilities filed under the respective laws governing them. The reports of CIRP/SDPI are only confined to parliamentarians; they should conduct similar studies for high-ranking State functionaries, men in *khaki* and *mufti*.

The issue of tax declarations of holders of public offices and high-ranking State functionaries should be tackled democratically. There should be a bipartisan Parliamentary Standing Committee on Asset Disclosures & Investigation. FBR should be obliged under law to convey to this Committee all the declarations filed by persons holding public offices. The Committee should have powers to compare declarations filed under the Civil Servants Act, 1973, Army Act, 1952 and related rules, Representation of People Act, 1976, the Senate (Election) Act, 1975, Rule 4 of the Political Parties Rules, 2002 with those filed under the Income Tax Law. In case of any discrepancies or complaint of suppression and concealment, the Committee could ask FBR, NAB, FIA, MP, Military Court, as the case may be, to take action under the law.

For bringing transparency, all the political parties should be required to file their tax returns. Section 13A of Indian Income Tax Act, 1961 requires mandatory filing of returns by the political parties and Chief Election Commissioner of India instructs the Indian Central Board of Direct Taxes (CBDT) to scrutinize accounts submitted by political parties. The Central Information Commission of India also directs Income Tax Department to disclose in public interest details of donors given by political parties in their tax returns. With this information in public domain, the Commission believes there will be transparency in the funding of both small and big parties, besides checking the flow of black money in the electoral process. These elements are completely missing in our polity. Chief Justice of Pakistan and our Election Commission should take note of this and the Parliament must amend existing election laws debarring tax delinquents from contesting elections.

**The process of accountability in Pakistan must start with scrutinizing of declaration of assets, liabilities and taxes paid by politicians, high-ranking civil and military officials and judges. The civil society and media should come forward to force the parliament to abolish all laws relating to secrecy and/or immunity and enact a comprehensive legislation for obtaining information by any citizen under Freedom of Information Law. FBR should be authorised by the federal government to publish annual tax directory (it was done only in 1993 and 1994). This step will not only expose the rich and mighty who have amassed wealth, have failed to pay taxes under the law, but will also help to promote the much-needed tax culture.**

The Federal Finance Minister should direct and authorise the FBR to publish (in digital and printed form) 'Tax Payers' Directory' (covering both income tax and sales tax) of all persons. Section 216(1) of the Income Tax Ordinance, 2001 says that all particulars contained in any statement made, return furnished, or accounts or documents produced or any evidence given, or affidavit or deposition made, in the course of any proceedings under this law or any record of any assessment proceedings or any proceedings related to recovery of a demand **shall be confidential and no public servant save as provided in this Ordinance may disclose any such particulars.** There are many exceptions to this rule as contained in sub-sections (3), (4) and (5) of section 216. For example, it is clearly provided in sub-section (5) that **nothing contained in sub-section (1) of section 216 shall prevent the Board from publishing, with the prior approval of the Federal Government, any particulars filed by any taxpayer and sub-section (6) in categorical terms states: "Nothing contained in sub-section (1) shall prevent the Federal Government from publishing particulars and the amount of tax paid by a holder of a public office as defined in the National Accountability Bureau Ordinance, 1999 (XVIII of 1999)."**

It is now an admitted fact that in 2011 about 70% of Pakistani legislators—members of Senate and National Assembly—did not comply with section 116(2) of the Income Tax Ordinance, 2001 by not filing tax returns, wealth statement and personal expenses having taxable income of Rs. 500,000 [the limit from 2012 is raised to Rs. one million]. Instead of admitting their lapse and taking remedial steps, they accused FBR for "illegally" (sic) disclosing data. FBR was also found guilty for not taking any action against these defaulters and by not publishing their tax data, despite the clear instructions of the Federal Tax Ombudsman, to ensure transparency in electoral process. Thus in elections of 2013, these tax delinquents managed to contest and succeed at many places.

On discovering lapse on the part of legislators, it was the duty of FBR to promptly issue notices under the law to all those who failed to file their tax returns with wealth statements, but it did not bother and on the contrary its chief boss kept on defending the tax cheats sitting in the Parliaments. No doubt many legislators violated section 114 and 116 of the Income Tax Ordinance, 2001, but the fact remains that FBR was equally guilty of failing to issue notices under section 114(3) and 116(1) of the Income Tax Ordinance, 2001 to these defaulters. It is pertinent to mention that non-filing of return and wealth statement by any member of parliament attracts penalty under section 182(1), prosecution under section 191(1)(a) of the Income Tax Ordinance, 2001 and ultimately disqualification under Article 62(f) of the Constitution of Pakistan.

In all the leading democracies of the world, laws exist which ensure that people seeking votes to become their representatives should have integrity and character. Discharging of tax obligations is a requirement of law of the land and its violation by any individual attracts provisions of

Article 62(f) of the Constitution of Pakistan which says: “A person shall not be qualified to be elected or chosen as a member of Majlis-e-Shoora (Parliament) unless he is sagacious, righteous and non-profligate, honest and *ameen*, there being no declaration to the contrary by a court of law”. Can a violator of income tax law escape the operation of this provision of supreme law of the land even when no action is taken by FBR against him and it is incontrovertible that he did not file income tax return and wealth statement required under the law?

It is not out of place to mention that two important nominees of Barack Obama in his first term—Tom Daschle and Nancy Killefer—withdrawed their names after it emerged that they failed to keep their taxes in proper order. Let the political parties tell us if they know how many of their leaders have no problems with taxes. We, being practicing tax lawyers and having long experience as tax administrators, can say without any fear of contradiction that majority of them will be disqualified if we implement the democratic tradition followed by Barack Obama after landslide and historic victory in 2008 by admitting that he “screwed up” by nominating tax delinquents.

Our rulers, on the contrary, take pride in rewarding known corrupt and offenders by giving them important public offices. This is why our history is that of ‘**Barren Years**’—phrase aptly adopted as title of book containing editorials and columns by late Mazhar Ali Khan, veteran Pakistani journalist, written as editor of *Viewpoint*. The agenda of change, even from a pure moralistic point of view, must start from one’s self and own house. Those who are accusing others of tax avoidance are required to first prove that they have discharged their own liabilities diligently. There cannot be selective accountability and escape from law by using the attractive slogan of “change” or “reform” nor in their garb can anyone be allowed to rise above law by claiming himself to be a custodian (self-acclaimed) of morality. First of all let Mr. Ishaq Dar tell us why assets worth billions are kept abroad by his own sons, party bosses and their siblings. Nation wants him to refute with evidence charges of investment by Ali Dar in HDS Group (<http://www.hdsgroup.org/>) in UAE. Citizens expect that soon he will enlighten them about the story ‘**The truth about Rs.3.48 billion Sharifs loan default**’, published on April 9, 2013 in a section of Press [<http://www.thenews.com.pk/Todays-News-13-22152-The-truth-about-Rs348-bn-Sharifs-loan-default>].

It is a matter of record that even political parties in Pakistan do not file tax returns and FBR has never bothered to issue them notices. In India, there is a mandatory provision of law [section 13A of Income Tax Act, 1961] requiring political parties to file returns. Chief Election Commissioner of India asks the Indian Central Board of Direct Taxes to scrutinize accounts submitted by political parties. Central Information Commission of India also requires Income Tax Department to disclose in public interest, details of donors given by political parties in their tax returns. Are our political parties ready to do this? Never, as it will expose

the flow of black money in the electoral process. Neither Election Commission nor FBR has ever bothered to consider this vital issue till today. Even the Supreme Court has not taken cognizance of this matter while passing many orders for conducting fair and free elections.

A meaningful change in electioneering requires that political parties should not only keep proper accounts and get them audited by reputed firms, but also file income tax returns, which should be made public. It would force them to take into their folds only those people who honestly discharge their tax obligations. The process of filtration within the parties is a necessary step towards a transparent and democratic setup and Election Commission of Pakistan should ensure its implementation.

In Pakistan, it is worth noting that violation of tax laws is not confined to parliamentarians. The *ashrafiya* (elites)—militro-civil bureaucracy, landed aristocracy, politicians, religious and spiritual leaders (*ulema and pirs*), loan beneficiaries, unscrupulous business tycoons—flout laws of the land with impunity and take pride in it. Since assets and tax declarations of powerful militro-civil-judicial hierarchy are not available, the citizens cannot know how much state land was given to them on throw-away prices and whether they paid tax on differential of market value as envisaged in section 13(11) of the Income Tax Ordinance, 2001 for this and other similar favours at taxpayers' expense. This is the stark reality of today's Pakistan—legislators make a mockery of laws enacted by them, and the mighty militro-civil-judicial complex takes cover under special laws to avoid public disclosure of asset and tax declarations!

Article 19A of the Constitution of Pakistan says that “**every citizen shall have the right to have access to information in all matters of public importance subject to regulation and reasonable restrictions imposed by law.**” Explaining the scope and import of this fundamental right, added in the supreme law of the land through 18th Amendment, the Supreme Court in *Watan Party & Others v Federation of Pakistan & Other* PLD 2012 Supreme Court 292 [commonly known as Memogate Scandal] held that “Article 19A has thus, enabled every citizen to become independent of power centres which, heretofore, have been in the control of information on matters of public importance..... Article 19A is a grant of the Constitution and, therefore, cannot be altered or abridged by a law enacted by Parliament...It, therefore, will not for this Court to deny to the citizens their guaranteed fundamental right under Article 19A by limiting or trivializing the scope of such right through an elitist construction whereby information remains the preserve of those who exercise state power.” Since our apex court has championed the cause of people's right to information in PLD 2012 Supreme Court 292, it is a legitimate expectation of the citizens of Pakistan that as a first step, the honourable judges of Supreme Court and High Courts voluntarily make public their assets and tax declarations as was done by their counterparts in India many years back. The high-ranking military and civil officials should also do it to counter the criticism of the

parliamentarians that they have been singled out in respect of disclosure of asset and tax declarations.

The exercise of constitutional right to access to information in all matters of public importance is necessary for transparency, accountability and good governance—essential elements of democratic dispensation. At the heart of Article 19A is ensuring accountability of all. Logically, the right to information must start from those who judge, adjudge and legislate. While legitimate concerns have been expressed about blatant violations of tax laws by the parliamentarians, no effort is made till today to public the tax and asset declarations of the powerful members of military-civil-judicial complex that has been beneficiaries of state lands and never paid tax on the same as required under section 13(11) of the Income Tax Ordinance, 2001.

The meaningful and effective exercise of Article 19A can make all four pillars of the State—Legislation, Judiciary, Executive and Media—accountable before law. Right to information in all matters of public importance, access to official record and free availability of what is owned by privileged classes must be assured as it will help improve governance, transparency and rule of law. Paying taxes is a constitutional obligation of all citizens—any violation by anyone should be dealt with according to law without any fear or favour for any person, notwithstanding his position in society. If lawmakers commit any lapse in respect of their tax obligations, they must be punished more rigorously than others, as they are custodians of public faith and money.

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**Italy****Italian tax burden rises to record 44.3 percent in 2013**

From an analysis by Confcommercio, the federation representing small and medium-sized enterprises, professionals and sole traders, it has emerged that the tax burden in Italy reached a record 44.3 percent in 2013, and will remain above 44 percent this year.

Last year therefore saw a record tax burden level that was some 0.3 percent above the then-highest 44 percent seen in 2012, with tax and social security collections increasing by EUR1.6bn (USD2.2bn) during 2013 and Italian gross domestic product (GDP) decreasing by EUR8.7bn.

Confindustria commented that, in fact, 2013 did not mark a beginning to the Government's hoped-for journey towards a reduction in tax burdens, but only a modification in the mix of revenue between the various tax types. Total indirect and financial revenues rose to EUR235.2bn and EUR3.2bn, from EUR233.5bn and EUR1.4bn, respectively, while direct tax collections fell from EUR237.2bn to EUR233.8bn.

Unfortunately, it added, a tax burden reduction will also be largely illusory in 2014, as it will remain just above 44.2 percent. Tax and social security collections will actually increase by just over EUR19bn this year, as GDP grows by around 1 percent. With a full year of the 1 percent value added tax rate rise, indirect taxes alone will gather a further EUR10.9bn in revenue.

While Confcommercio stressed that tax reduction should remain a priority for the Government in the near future, so as to provide the basis for real economic growth in Italy, it has previously pointed out that, with the underground economy taking more than EUR270bn – or more than 17 percent – out of Italian GDP in 2013, and with the fiscal burden therefore falling on fewer taxpayers, the real tax burden now stands at an unsustainable 54 percent, the highest amongst advanced economies and an increase of 3 percent since 2002.

It noted that the high tax rates in Italy also seem to be producing one of the “top incentives to evade, “ as, in the current economic recession, taxpayers are already finding it difficult to keep their financial heads above water on their lower earnings, without having to pay taxes as well. – *Courtesy tax-news.com*

## **Ireland**

### **Irish tourism industry benefits from tax breaks**

Generous tax breaks helped the Irish tourism industry to its best year since 2009.

In its 2013 Year End Review, the Irish Tourist Industry Confederation (ITIC) reveals that revenue rose by 13 percent on 2012. Almost 7m overseas visitors injected over EUR4bn (USD5.45bn) into the economy in 2013, and hospitality businesses have been able to create 15,000 new jobs since 2011.

According to ITIC Chairman Paul Carty, “2013 was a year of solid achievement for the tourism industry. “ He welcomed “very positive “ support from the Government, which has continued to maintain a special 9 percent rate of value-added tax (VAT) for the hospitality sector, and recently announced the suspension of the air travel tax.

The ITIC says that it is “quietly confident that conditions are right for further growth in 2014. “ However, ensuring Ireland’s competitiveness in relation to other European destinations remains its greatest challenge.

Ireland exited its European Union/International Monetary Fund bailout last month, when the Government also unveiled its economic plans for 2014-20. For the tourism industry to benefit from this, it requires “a fully functioning banking sector to facilitate the investments necessary to deliver innovation, a refreshed tourism experience and expanded capacity to cater to new demand.”

The ITIC has stressed its willingness to work with the Government in the development of a new whole-of-Government approach to tourism. – *Courtesy tax-news.com*

### **Scale of Irish LPT operation revealed**

Ireland’s Revenue agency went through records dating back to the 1880s as it prepared to implement its controversial property tax, according to new research.

A Freedom of Information request submitted by the Irish Independent led to the paper obtaining copies of more than 180 emails sent and received by Revenue officials. It claims that the documents in question highlight the “enormous level of planning “ undertaken.

They also revealed that the Revenue Commissioners even considered deducting the Local Property Tax (LPT) from the Children's Allowance benefit. The Department for Social and Family Affairs apparently blocked the move. The levy is now deducted from a small number of other welfare payments, such as the old age pension.

A spokesperson for the Department told the Irish Independent that it had been opposed to the Commissioners' proposals, stressing that "child benefit is paid for the benefit of the child. "

The Revenue Agency is expected to launch a major compliance campaign early this year, aimed at settling Household Charge and LPT arrears. Finance Minister Michael Noonan confirmed last month that Revenue intends to make property owners aware of the campaign on its website, in press releases, through local and national media, and, if necessary, via formal media advertising. His Department will also contact potentially non-compliant householders directly. – *Courtesy tax-news.com*

**FBR seeks review of judgment on fuel levy**

The Federal Board of Revenue (FBR) has filed a petition before the Supreme Court, seeking review of its Dec 10 verdict against the PML-N government's move to validate the collection of general sales tax (GST) on petroleum products and compressed natural gas (CNG) since July 1, 2007.

A bench headed by former chief justice Iftikhar Muhammad Chaudhry had struck down Section 3(8) of the General Sales Act, 1990, inserted by the government through the Finance Act of 2013 for protecting the sales tax collected since 2007 under the Sales Tax (Special Procedure) Rules, 2007.

The court had ruled that a nine per cent additional tax on the CNG should not be charged except for the rate fixed under Section 3(1) of the Sales Tax Act. It had ordered the Oil and Gas Regulatory Authority to issue a revised notification and recover 16pc sales tax already paid by the consumers within three months.

The FBR filed the review petition through Advocate Malik Shakeelur Rehman Khan, pleading to revisit the verdict. The petition was taken up on Tuesday by a three-judge bench headed by Justice Jawwad S. Khawaja that decided to consider the issues involved next week.

The petition argued that in no part of the verdict had the court given any reason explaining how Section 3(8) was contrary to the law and the constitution. It said the provision of any statute could not be struck down without referring to a particular article of the constitution.

The petition said the verdict appeared to be based on a presumption that the 9pc levy purportedly was an additional tax. The judgment failed to consider the explanation to the section and therefore should be reconsidered.

It said the court had annulled the vires of Section 3(8) of the act merely on the ground that a June 21, 2013, directive of the court had not been complied with. – *Courtesy Dawn.com*

**Return form for amnesty scheme notified**

The Federal Board of Revenue has notified rules for filing of income tax returns for availing the amnesty scheme announced by the government last month.

A general order issued here has notified a specific form IT-6 for the filing of returns for the past five years (2008-2013) electronically.

The form is available on the FBR website.

It further said that filing of return electronically is mandatory for all association of persons, sales tax registered persons, refund claimants and salaried persons having annual income of Rs500,000 or more. However, all others are encouraged to file the returns electronically.

The immunity from penalties, default surcharge and audit will be available only to those individuals who will file their returns latest by February 28, 2014.

The tax can be paid in all authorised branches of National Bank of Pakistan and State Bank of Pakistan even before filing of the return. – *Courtesy Dawn.com*

### **Special procedure for ST registration to be amended**

The Federal Board of Revenue has proposed comprehensive amendments to the special procedure for sales tax registration to do away with existing faulty/defective system, lacking proper physical verification of the declared business premises of the applicants seeking Sales Tax Registration Numbers (STRNs). Sources told on Monday that the new sales tax registration procedure would be notified after vetting from the Law and Justice Division.

Instead of issuing a new system, the existing special procedure for sales tax registration would be amended. The FBR would ensure to notify the amended procedure in January 2014. Under the sales tax law, manufacturers, retailers, importers, wholesalers, distributors and commercial exporters are liable to registration. The existing registration system is not a risk-based system, with faulty verification mechanism. Description of goods and HS Codes are not available for sectoral analysis, profiling and checking misuse of invoices. Registration data does not help in risk-based analysis of returns.

In the FBR administrative plan, a two-pronged strategy for registration in sales tax has been developed. It consists of cleansing of existing database and a risk-based system for new registrations. Under the cleansing exercise, premises shall be verified through GPS enabled devices using application with business activity code. There will be online interface for updating

missing information like HS Code, utility connection number, etc. Under the new system, application received shall be processed according to the risk parameters which have already been developed on the basis of declaration risks and third party risks. In case of low risk, registration shall be allowed merely upon GSM verification. For medium and high risk cases, registration shall be allowed after verification of documents and GSM verification. The declared capital information shall be used for controlling fake invoices. The system, having linkages with WeBOC and Expeditious Refund System (ERS) shall provide a centralised single source of information managed through a unified database, and will help in correct return analysis and elimination of invoice misuse, sources said.

The benefits of new system also included strong documents after scanning into the database and making available for post registration audit; decentralising the approval mechanism at commissioner's level for speedy processing; correct description of goods will help revenue analysis, accurate forecasting estimates and budget analysis, eliminate invoice misuse by irrelevant sectors; control over the invoices issued by a registered person based on the declared capital, sources added. – *Courtesy Business Recorder*

### **T-6 form for TY 2008-12: FBR facilitates new taxpayers for Prime Minister's scheme**

The Federal Board of Revenue has allowed new taxpayers to file income tax returns manually in cases where they would file Income Tax Return Form IT-6 for Tax Years 2008-12 under SRO.1065(I)/2013 for implementation of Prime Minister's Incentive Scheme. The FBR has issued general instructions to all taxpayers here on Monday for Tax Year 2008-12 for filing of their income tax returns under SRO.1065(I)/2013.

According to FBR, for further facilitation of taxpayers, following modes of submitting the returns/statements are offered: electronic filing at e-FBR portal (<https://e.fbr.gov.pk>); submitting paper return at Taxpayer Facilitation Counter of the respective Regional Tax Office and the paper return form can be downloaded from FBR website by visiting <https://fbr.gov.pk>. The FBR said filing of returns electronically is mandatory for all AoPs, sales tax registered persons, refund claimants and salaried persons having

annual income of Rs 500,000 or more. However, all others are encouraged to file the returns electronically.

The Federal Board of Revenue has issued guidelines for new taxpayers, who intend to file income tax returns (Income Tax Return Form IT-6 for Tax Years 2008-12) under SRO.1065(I)/2013 for implementation of Prime Minister's Incentive Scheme. According to the FBR, in compliance with SRO.1065(I)/2013 dated December 20, 2013 for implementation of Prime Minister's Incentive Scheme, Income Tax Return Form IT-6 for Tax Years 2008 to 2012 has been deployed for its submission electronically through e-FBR Portal by using the specified URL.

As per the SRO, the immunity from penalties, default surcharge and audit would be available to an individual, holding an NTN who files a return, as specified in Form "A" (IT-6) by February 28, 2014, of the tax years from 2008 to 2012, for which returns have not been filed. Provided that for each of the tax year, a minimum tax of Rs 20,000 on the basis of taxable income is paid by the taxpayer. The taxpayer shall not be entitled to claim any adjustment of withholding tax collected or deducted under the Income Tax Ordinance. The due date for filing of return for tax year 2013, in respect of individuals availing concessions under this clause, shall be February 28, 2014, the FBR said.

In case of business individuals for Tax Year 2012, the FBR has notified that the rate of tax as specified in column (3), against serial no 2 in clause (1), in Division I of the Part I of First Schedule of the Income Tax Ordinance, shall be reduced to 5 percent, for taxable income declared in the return for tax year 2012, filed under clause (87) or (88) of the Part IV of this Schedule ie where the taxable income exceeds Rs 350,000 and does not exceed Rs 500,000 the rate of tax will be 5 percent instead of 7.5 percent for Tax Year 2012, FBR maintained.

If salary income is more than business income then salary rates will be applied. In case a taxpayer has already submitted his return for a particular year, then IT-6 will not be available to him for that year. The FBR said that if a taxpayer has already submitted his IT-6 Return even then he can submit his IT-2 Return for that particular year, ie, the facility of submission of IT-2 will be available after submission of IT-6, but the option to submit IT-6 after submission of IT-2 will not be available.

8. The taxpayers can seek guidance through following modes:

a. 24-Hrs Helpline 051 111-772-772

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b. Office Hours Helpline 0800 0227, 051 111-227-227

c. By visiting the nearest Taxpayer Facilitation Centre (TFC), list of TFCs can be downloaded from FBR website at <https://fbr.gov.pk>. The FBR added that tax can be paid in all authorised branches of NBP and SBP even before filing of return forms. List of the TFCs/RTOs and authorised branches of NBP/SBP can be downloaded from the FBR website. – *Courtesy Business Recorder*

### **MPs to be issued NTN on basis of CNIC data with ECP: FBR**

To facilitate parliamentarians, the Federal Board of Revenue will issue National Tax Numbers (NTNs) to all Members of National/Provincial Assemblies on the basis of their Computerised National Identity Cards (CNICs) numbers available with the Election Commission of Pakistan (ECP).

Sources told here on Tuesday that the FBR will allocate NTNs to the parliamentarians taking into account nomination papers filed by the contesting candidates for Elections-2013 with the ECP. Out of nomination papers, the FBR has collected the CNICs of all the winning candidates of Election-2013. The FBR will differentiate between the non-NTN holders and NTN holders. A separate list of non-NTN holder parliamentarians would be finalised. On the basis of CNICs, the FBR will allocate the NTNs to the non-NTN holder parliamentarians and deliver the same to them for becoming compliant taxpayers.

During the whole exercise, the parliamentarians may not voluntarily come forward and inform the FBR about their NTN status. At the same time, the process of filling of NTN forms may not be adopted by the parliamentarians. The FBR will itself complete the whole process and issue the NTNs to parliamentarians to facilitate them, sources said.

Following the directions of Finance Minister Ishaq Dar, the FBR will ensure issuance of NTNs to all the parliamentarians by end of current month. In the past, on the request of the Senate Standing Committee on Finance, the FBR had decided to establish a cell or office at the Parliament House to assist parliamentarians in obtaining NTNs and filing of income tax returns. The members of the committee had asked the FBR chairman to set up offices in the parliament and provincial assemblies to issue NTNs to them. At that time, the parliament secretariat had not provided any place to

the FBR for setting up “Special Advisory Desk” to assist parliamentarians, including Members of National Assembly and Senate in obtaining NTN.

The FBR had also contacted the secretariat for deputation of tax officials for assisting the parliamentarians in obtaining NTNs or discharging their tax liabilities. The Board had deputed senior tax officials to assist parliamentarians in discharging their tax liabilities, including filing of income tax returns. In this connection, the FBR had finalised the arrangements for setting up office at the Parliament House and waited for the response of the parliament secretariat, sources added. – *Courtesy Business Recorder*