

TAXATION

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No.CCIR/RTO-II/SO-VII/2013-14, dated December 04, 2013.

No.6(96)S(BIC)/2013-14, dated December 05, 2013.

Sales Tax General Order No. 53 of 2013, dated December 06, 2013.

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No.1(8)Rev Bud/98, dated December 10, 2013.

Income Tax Circular No. 15 of 2013, dated December 10, 2013.

S.R.O. 1049(I)/2013, dated December 10, 2013.

Income Tax Circular No. 16 of 2013, dated December 12, 2013.

Pakistan Tax Bar Association Letter, dated December 12, 2013.

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Kind regards,

Huzaima Bukhari

Editor

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Prime Minister's package

by
Anjum Ibrahim

The Prime Minister's incentive package was announced on 22nd November in front of representatives of the business community from all over the country after a two-day delay to ensure the presence of an ailing Finance Minister Ishaq Dar leaving no one in any doubt that the architect of the package was Dar and that he continues to enjoy the full support of the Prime Minister notwithstanding the increasing rumblings against his flawed policies by the general public.

The package was seen as a revival package - reviving output and therefore growth and reviving the job market. The package can be categorised in three broad groups: (i) another amnesty as no questions will be asked as to the source of funds for all investments barring a few sectors, extending the deadline for filing of returns from 30th November to 15th December (and those who filed on time would be able to revise the returns), any individual paying 25 percent more tax than last year would be exempt from audit, national tax number holders would be exempt from penalties, default surcharge and audit if they have filed income tax returns for the past five years or paid a minimum of 20,000 rupees per annum, and those non-NTN holders who filed returns voluntarily will enjoy immunity from audit and penalties for five years. The package also ceded to popular demand and withdrew Federal Board of Revenue's (FBR) access to bank accounts; (ii) 400 taxpayers would be issued tax payer recognition cards with entitlement to VIP lounges, fast track immigration, increase baggage allowance and an annual dinner with the Prime Minister; and (iii) setting up Prime Minister's Business Advisory Council and Prime Minister's Agriculture Advisory Council with meetings once every three months. None of these measures envisage a reduction in revenue collection as it is mainly about extending perks and privileges enjoyed by the wealthy and influential elites and getting the black money earners not paying tax in any case to whiten their money domestically rather than send it out of the country only to remit it tax-free into the country.

Any amnesty scheme enabling those operating within the illegal economy to whiten their money, (including drug lords dealing in heroin, kidnapping/extortion money/terrorism, outright corruption where expenditure does not match known income sources) cannot be a long-term scheme; and therefore there is a consensus amongst economists and the business community that it is a short-term package designed to fuel stagnating growth. Those who may argue that the government was unaware of low growth potential this year and therefore was compelled to support yet another amnesty scheme would do well to refer to the 19th August 2013 Letter of Intent (LoI) signed by Dar and Yasin Anwar, Governor State Bank of Pakistan, a prerequisite for the approval of the

Extended Fund Facility (EFF) from the International Monetary Fund (IMF) which acknowledged that: “an upfront adjustment of near 2 percent of GDP aims at restoring policy credibility (prior action)” - the adjustment referred to is fiscal adjustment or a rise in taxes, inclusive of measures to enhance documentation, with a decrease in expenditure that would reduce the budget deficit and therefore the growth rate. These measures have been withdrawn and unless new revenue generating resources are identified and implemented and/or expenditure curtailed the pressure on inflation would continue to escalate. The LoI also acknowledges that “inflation reduction will not be a primary focus of the first year of the programme so as to mitigate the impact of the envisaged fiscal contraction.” The two claims made in the LoI are the main causes of rising inflation. The LoI also maintained that “an initiative to incorporate three hundred thousand new taxpayers into the income tax net was launched in July.

The 2013 Finance Bill granted the FBR access to bank information enhancing scope and quality of information in its database... these efforts will be further assisted by increasing the number of risk-based tax audits to 4.2 percent of declarations (from 2.2 percent).” The package of measures announced in the 2013-14 budget in an effort to meet the commitments made in the LoI were eroded by subsequent decisions by the Finance Minister and the remaining pro-documentation measures were reversed by the Prime Minister in his incentive 22nd November package that would effectively end the drive towards greater documentation. The major flaw in Dar’s plan to deal with the economy has been the lack of an indigenous growth policy which explains why he is now willing to grant amnesty to those operating in the illegal economy if they invest in the legal sector.

Time will tell if the illegal economy would through the PM incentive package opt to invest in the legal economy, however, it is pertinent to highlight another commitment made by Dar in the LoI: “the negative impact on economic activity will be ameliorated by structural reforms to boost growth and a somewhat more accommodative monetary policy stance early in the programme than would normally be required given the inflation outlook.” In stark terms this means his growth strategy was to (i) implement energy sector reforms including dealing with arrears that have in recent months resurfaced with the inter-circular debt rising to 180 billion rupees, and massive privatisation that may be a challenge given the fact that many regard speedy sale as a non-transparent sale; and (ii) extend credit to the private sector at lower interest rates, an inflationary measure to essentially support the productive sector at the cost of the general public. More disturbing is the fact that immunity from audit under this package is a violation of the Universal Self Assessment Scheme and would hinder audit through ballot next year with negative implications on revenue collection by the FBR as well as a failure to deliver on commitments made in the LoI for a second year notwithstanding the claims by Dar. The non-substantive

perks namely to have dinner with the Prime Minister once a year, to be fast tracked through immigration, access to VIP lounges may be attractive for some but not all engaged in legitimate or illegitimate business activity.

The Prime Minister's package included the establishment of a Prime Minister's Business Advisory Council and Prime Minister's Agriculture Advisory Council designed, one would assume, to meet the concerns of the two critical sectors of our economy. Many would argue that this is a tacit acknowledgement by the Prime Minister that his Finance Minister does not have the confidence of a major PML-N support group and his intent to meet with them every three months is designed to ensure that these two groups do not come out on the streets in protest against Dar's policies particularly with respect to tax proposals; or worse abandons the party in favour of another more in touch with its needs. That is indeed politically astute, however, the Prime Minister must be wary of the fact that it is the general public whose votes are required to win elections and the general public wants low inflation and high employment opportunities - objectives that Dar states is not his primary focus in the first year of the programme. In the event that he fails to achieve his revenue and expenditure targets, and all indications are that he will fail given policy reversals, then it is doubtful if inflation reduction and job promotion would be his primary focus even next year; or the year after.

The wrong borrowing mix

by

*Dr. Muhammad Yaqub**

A government that depends heavily on borrowing from the banking system to finance its expenditure is usually taken as an irresponsible government that is creating conditions for high inflation and public sector debt trap. The PPP-led government indulged in reckless borrowing from the banking system and ended up generating a double digit inflation, crowding out of the private sector from the credit market and thereby hurting private investment and slowing economic growth, and excessively loading the commercial banks with government securities on the asset side of their balance sheets with serious consequences for banks.

It was hoped that the PML-N government will learn a lesson from the experience of the previous government and, for the sake of initiating good economic management, will switch from bank borrowing to tax effort and expenditure control as a way to handle the budget. Unfortunately, for the country and its people, the PML-N government has moved on a more

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2013

dangerous path of borrowing mix while maintaining the high level of borrowing of the previous government, as shown by the monetary data up to November 22, 2013. While resorting to net government borrowing from the banking system in the period July 1, 2013 to November 22, 2013 of Rs383 billions, as compared to Rs416 billion in the corresponding period last year under the PPP-led government, it has made a major switch in borrowing from the commercial banks to borrowing from the State Bank of Pakistan(SBP).

The PML-N government has retired Rs396 billions of its debt to the commercial banks up to November 22, 2013 as compared with new borrowing of Rs496 billions from the commercial banks in the same period by the previous government . At the same time, and during the same period, the PML-N government has borrowed Rs875 billions from the SBP as against retirement of Rs42 billion by the previous government. As a result, while the overall increase in the net domestic assets is only marginally higher than the last year - which of course in itself was excessive - the change in the mix of government borrowing from commercial banks to the SBP will have grave consequences.

In an accounting sense, it would look like a smart move by the ministry of finance because the interest earnings of the SBP will be transferred back to the government as SBP profits, offsetting the corresponding amount of government debt servicing to the SBP, thereby keeping the budgetary situation unchanged in an accounting sense on this particular account. The interest payments on borrowing from commercial banks by the government mainly end up with increased earnings of banks that go to its shareholders, who are mostly in the private sector, and do not offset the government debt servicing payments to banks.

In an economic sense, and particularly for its implications for inflation, exchange rate and foreign exchange reserves of the SBP, it is a disastrous move. What is more intriguing is that it is happening when an operational IMF program is in place without any concern being expressed by the IMF about excessive borrowing of the government from the SBP.

An elementary economics text book will tell you that borrowings from the central bank are more inflationary than borrowings from the commercial banks. The reason is very simple. Government borrowing from the SBP is based on note printing and high-powered money is injected in the system without any dislodging of liquidity in any other sector. The government borrowing from the SBP turns out to be fully inflationary with no offsetting effects from anywhere. On the other hand, commercial banks lend to the government by mobilising deposits from the private sector and by restricting their lending to the private sector and to that extent the impact of government borrowing from commercial banks on liquidity in the system - and on inflation - is partly moderated.

There are other aspects of the monetary survey of the SBP that in an accounting sense would not look abnormal as compared with the

corresponding period last year but a professional analysis of the survey would show worsening of the monetary situation.

The net domestic assets of the banking system have grown by about 5 per cent during July 1 to November 22, 2013 which is the same rate as last year. The increase in the last year in the net domestic assets was alarmingly high. The FY2013 ended up with 20 per cent expansion in the net domestic assets, which was excessive. This year the rate of expansion in the net domestic assets so far is the same as last year and if the trend is maintained it would also end up with excessive expansion in the net domestic assets for the year as a whole.

But more significantly, the expansion in the net domestic assets this year is engineered by note printing rather than by government borrowing from commercial banks. It would have much more severe implications for inflation and the balance of payments than the last year. Thus with the same rate of increase in the net domestic assets as last year, the switch in government borrowing from commercial banks to the SBP would end up putting more pressure on prices, reserves and the exchange rate.

Another noticeable aspect of the monetary survey is that the net foreign assets of the banking system have declined at a faster speed this year so far as compared with the last year. It has knocked out a part of the net domestic assets to show a lower growth in money supply this year so far, as compared to the corresponding period last year (money supply expanded by 2.4 per cent up to November 22 in the current fiscal year as compared with 3.9 per cent in the same period last year). The better monetary outcome reflects one negative development offsetting partly the negative impact of another factor on money supply rather than indicating any favourable developments. The fast depletion of foreign exchange reserves was responsible by neutralising a part of the impact on money supply of the excessive bank borrowing of the government.

The purpose of the above narration is to highlight that while in an accounting sense the present economic management team has made smart moves in financing the budget deficit, in economic sense their budget mismanagement is worse than their predecessors.

If they continue on the path of budget management on accounting principles disregarding the economic implications of their moves, the country will face more severe inflationary and balance of payment problems this year as compared to last year. In that context, the IMF staff would need to do a lot of explaining for deliberately designing an EFF program that allowed the government to do reckless budgetary and monetary management and excessive resort to printing of money in an environment of high inflation, pressure on reserves and depreciating exchange rate.

A state run on immorality

by

Huzaima Bukhari & Dr. Ikramul Haq

Since 1977, every government in Pakistan, civil and military alike, has miserably failed to tackle the issues of revenue leakages and illegal accumulation of wealth in a few hands. Every now and then schemes for whitening of black money and/or tax amnesties for evaders are announced to discourage the honest wage earners and taxpayers. Premier Nawaz Sharif on November 28, 2013 announced unprecedented concessions for the tax evaders and looters of national wealth in the garb of “good economic incentives” as he did in the shape of so-called Protection of Economics Reforms Act, 1992 (XII of 1992) that resulted in enormous flight of capital from Pakistan and dollarization of economy.

On December 10, 2013, Member Tax Policy and official spokesman of Federal Board of Revenue (FBR) clarified that “the reporting of the SDPI Seminar (held on 29-11-2013) in certain newspapers stating that he criticised economic package of the Prime Minister, is absolutely incorrect”. He added that the “Package announced by PM fully incorporates the input from FBR and has the unequivocal support and ownership of the management of FBR, and that he sincerely believes that it will help kick start the industrialisation in the country”—<http://www.brecorder.com/taxation/181:pakistan/1263063:clarification/?date=2013-12-11>.

Pakistan is a unique case where the State instead of combating corruption sponsors and patronizes all kinds of undesirable practices as narrated by Premier on in his package announced on November 28, 2013 and now fully supported by official spokesman of FBR—**Nawaz Sharif & cronism**, *Business Recorder*, December 6, 2013. Since General Zia’a era, this country is a victim of reverse capital flows and capital flights due to policies of appeasement by successive governments towards the corrupt and criminals. Every year, we receive about \$12-14 as “remittances” (mostly own money recycled for whitening) but outflows are as high as \$30 billion, if not more—**The Swiss accounts**, *Business Recorder*, September 9, 2013.

It is an undeniable fact that every year billions of dollars are sent abroad and then parts of this dirty money, hidden in tax havens, is legitimised using schemes provided by the State. It is widely believed that out of total remittances of US \$14 billion received through normal banking channels during fiscal year 2012-13, about 40% was on account of “round-tripping”. Additionally, not less than US \$30 billion poured into the economy through informal channels during the same period. Many are of the view that these inflows are Pakistan’s lifeline that keep things moving and help averting economic collapse.

Pakistan has a permanent money laundering and tax amnesty scheme in the form of section 111(4) of the Income Tax Ordinance, 2001 that facilitates the whitening of dirty money and tax evaded funds. It guarantees tax exemption for money brought into Pakistan through normal banking channels. Through this section, the tax evaders get undeclared money whitened by paying just an extra 1.5% to 2% to any money exchange dealer to get remittances fixed in their names. This section has been abused cleverly by Pakistani tax dodgers to launder their untaxed money through State patronage! In presence of this section, experts are of the view that neither the existing tax laws can be enforced nor any amnesty scheme can work.

Pakistan represents a classic case study of unchecked and unabated reverse capital outflows and illegal capital flight. The Pakistani economy lost billions of dollars to crime, corruption, and tax evasion since 1991 when many money whitening schemes and Protection of Economic Reforms Act 1992 were introduced by the then government of Nawaz Sharif to legitimize untaxed, undeclared money and assets in the name of so-called liberalization of economy (see details in our books, '*Pakistan: From Hash to Heroin*' and '*Pakistan: Drug-trap to Debt-trap*').

The Protection of Economic Reforms Act, 1992 gives a free hand to tax cheats and money launderers to get billions whitened. Unfortunately, however, this law has never been examined by anybody from this perspective. All public office holders who have taken advantage of this law to avoid tax should have been disqualified for open admission of cheating the State. But not a single case has been filed till today and Election Commission of Pakistan at its own has never taken cognizance of it. It confirms how the rulers in this country engineer laws for self-aggrandizement. The losers are the poor and helpless of this Land of Pure, who are burdened with exorbitant indirect taxes and yet get nothing in return. The rich and mighty enjoy all luxuries of life at the expense of taxpayers whereas majority is living under the poverty line.

In these columns we have been persistently asking for a crackdown on underground economy, money laundering and revenue leakages. We never cited any known or hidden assets of Zardari or Sharifs and other politicians, quoted by various writers, as it is the job of the concerned authorities to get authentic information and evidence. Those at the helm of affairs in the Federal Investigation Agency (FIA), Anti-Narcotics Force (ANF), National Accountability Bureau (NAB) and FBR, should be taken to task for not investigating criminal flows and bringing on record all hidden assets. They have never bothered to employ modern intelligence apparatus to detect fiscal crimes, tax evasion and laundering of dirty money and seek information from other countries under the treaties. We suggest they should read a highly informative book, '*The Infiltrator*', by Robert Mazur who, as an undercover agent in Internal Revenue Service (IRS), US Customs and Drug Enforcement Agency (DEA) successfully led one of the biggest money-laundering prosecutions in the US history. He

not only demonstrated courage and dedication as an undercover agent but also valiantly resisted bureaucratic hurdles.

Rehman Malik, at a Press conference on 28th April 2012, while alleging that Nawaz Sharif and Shahbaz Sharif were involved “in a \$32 million money laundering and bank default of Rs 6 billion” went on to say, “I want to ask you only one question: from where did you get \$32 million?” This amount, he claimed, was paid by the Sharifs as settlement with a bank after a court’s decision in London. In a strange and disgusting manner, the Interior Minister claimed that whatever he was presenting was his personal collection of proofs against the Sharif family. This was how, a responsible minister in Pakistan had talked about serious alleged crimes of corruption and money laundering. He was duty bound to take action against all acts of corruption and money laundering, but for him selective attack on opposition is the only priority. On the other hand, PML(N) while refuting all these allegations asked for the return of \$60 million allegedly obtained by ex-President Zardari after the Swiss authority unfroze accounts on receiving a letter from the Attorney General. Now in power they are doing nothing about it.

Raymond Baker, Director of Global Financial Integrity, a research and advocacy organization in Washington, DC, and Director of the Task Force on Financial Integrity and Economic Development, an international private-public coalition of civil society groups and governments working on the issue of illicit financial flows, highlighted corruption of Zardari and Sharifs in his book “*Capitalism: Achilles Heels & Dirty Money & How to Renew the Free-Market System*” ([http://85.17.122.144/bookreader.php/135381/Baker - Capitalism's Achilles heel.pdf](http://85.17.122.144/bookreader.php/135381/Baker_-_Capitalism's_Achilles_heel.pdf)) published in 2005 [page 77-85]. Zardari and Sharif who refute charges of stashing money abroad should answer the allegations comprehensively as he cited properties and accounts. For example, Mr. Baker specifically quoted a 1999 U.S. Senate report: “Mr. Schlegelmilch did not reveal to the Dubai banker that Mr. Zardari was the beneficial owner of the PIC [private investment company], and the account manager never asked him the identity of the beneficial owner of the account. . . . Shortly after opening the account in Dubai, Mr. Schlegelmilch signed a standard referral agreement with Citibank Switzerland private bank guaranteeing him 20 percent of the first three years of client net revenues earned by the bank from each client he referred to the private bank.” In other words, Citibank was contracting to pay a finder’s fee for millions brought in from dubious sources. Citibank went on to open three accounts in Switzerland for Zardari, with Schlegelmilch as the signatory. Rehman Malik should have obtained a copy of the Swiss Court’s order against Mr. Schlegelmilch before making tall claims that “all was cooked up against his boss”.

Pages 82-85 of Raymond Baker’s book cover alleged corruption of Sharifs. It specifically mentioned that “one of the first things Sharif did upon becoming prime minister in 1990 was build his long-dreamed-of superhighway from there to the capital, Islamabad. Estimated to cost 8.5

billion rupees, the project went through two biddings. Daewoo of Korea, strengthening its proposals with midnight meetings, was the highest bidder both times, so obviously it won the contract and delivered the job at well over 20 billion rupees. A new highway needs new cars. Sharif authorized importation of 50,000 vehicles duty free, reportedly costing the government \$700 million in lost customs duties. Banks were forced to make loans for vehicle purchases to would-be taxi cab drivers upon receipt of a 10 percent deposit. Borrowers got their “Nawaz Sharif cabs,” and some 60 percent of them promptly defaulted. This left the banks with \$500 million or so in unpaid loans. Vehicle dealers reportedly made a killing and expressed their appreciation in expected ways. Under Sharif, unpaid bank loans and massive tax evasion remained the favorite ways to get rich. Upon his loss of power the usurping government published a list of 322 of the largest loan defaulters, representing almost \$3 billion out of \$4 billion owed to banks. Sharif and his family were tagged for \$60 million. The Ittefaq Group went bankrupt in 1993 when Sharif lost his premiership the first time. By then only three units in the group were operational, and loan defaults of the remaining companies totaled some 5.7 billion rupees, more than \$100 million. Several offshore companies have been linked to Sharif, three in the British Virgin Islands by the names of Nescoll, Nielson, and Shamrock and another in the Channel Islands known as Chandron Jersey Pvt. Ltd. Some of these entities allegedly were used to facilitate purchase of four rather grand flats on Park Lane in London, at various times occupied by Sharif family members. Reportedly, payment transfers were made to Banque Paribas en Suisse, which then instructed Sharif ‘s offshore companies Nescoll and Nielson to purchase the four luxury suites”.

Corruption in Pakistan is all pervasive. The *ashrafiya* (elite)—indomitable military-civil bureaucracy, corrupt politicians and unscrupulous businessmen—keep on singing the mantra of “patriotism” (sic) but indulge with impunity in rent-seeking, power politics, plundering of national wealth and organized crime. They consider it as their inherent right to deprive the poor of their fundamental rights. A lack of accountability and unprecedented tolerance towards corruption has made Pakistan a State controlled and run by ruthless forces representing money power. The following report is an eye-opener for all—<http://www.thenews.com.pk/article-116604-Karachis-black-economy-generates-Rs830-million-every-day>.

- Karachi’s black economy generates a staggering Rs. 830 million every day.
- At least Rs.10 million is paid in extortion on a daily basis, while kidnapping for ransom amounts to Rs.50 million.
- Every day the parking mafia, which operates over 500 lots in the city, hooks Rs.2.4 million. There are over 55,000 hawkers operating stalls/kiosks in the city, who pay Rs.8.25 million to blackmailers every day.

- The water mafia sells approximately 272 million gallons of water illegally each day, which amounts to Rs.100 million.
- The city also houses 15,000 drug-selling and gambling dens, which make Rs.150 million per day.
- Karachi's land-mafia illegally grabs over 30,000 acres of government land denting the national exchequer by Rs.7 billion annually and Rs.230 million daily.
- The city's transport mafia extorts Rs.10.48 million from buses, rickshaws, and taxis. Illegal payments called "Dhakka Wasooli" received from trucks, container-trucks, and oil tankers earn the mafia an additional Rs.7.5 million.
- Electricity worth Rs.10.5 million is stolen daily in the city and there are between 4,000 to 5,000 'kundas' (illegal connections) in Karachi.
- Criminals associated with the health industry deprive the poor patients of Rs.3 million every day.
- Vehicle theft in the city is also at an all-time high, with an average of 40-50 motorcycles and 20-25 cars are lifted daily. This translates into Rs.20.5 million a day.
- Street criminals loot around 125-150 mobile phones, cash, jewelry and other valuables worth Rs. 5.2 million daily.
- Short-term kidnapping in which the abductees are held at gunpoint and driven around the city for several hours generates over Rs.3 million. Approximately 10-15 such kidnappings are reported from city's posh localities every day.
- The police in Karachi also receive bribes worth Rs.210 million on a daily basis, which go into the pockets of officers from top to bottom.

Unfortunately, Pakistan has become a place where rampant and institutionalized corruption has become a way of life. Money from whatever source it comes, is the catchphrase in our society: aid money, drug money, foreign money, American money in exchange for fighting war against terrorism (sic), and 'black' money (which can be 'whitened' by mere 'remittance' through normal banking channels or investing in stock exchanges!). What makes the situation worse is the fact that State sponsors and protects all these actions through schemes and laws mentioned above.

One just needs to go to a licensed money exchange company, pay the premium for telegraphic transfer to one's account, which is instantly arranged. A very simple way of money laundering and no proceedings before the tax administration [section 111(4) of the Income Tax Ordinance 2001 gives full protection to such sham transactions]. Is there any other State in the world that gives such patronage to the criminals and tax evaders? There is open proof of such money being spent

everywhere: in the ostentatious lifestyle of new urban development, in the bright galore of foreign cars on the roads, in the smugglers' markets brimming with latest foreign electronic gadgetry and in the shops crammed with foreign goods. Who says this is a poor country? The government is no doubt poor (sic) but the people are very rich - check out the number of rural people lavishly spending the good support price for their bumper wheat crop.

The chief preoccupation and addiction of this nation is money. Everybody is yearning for luxurious lives while their fellow countrymen are dying of hunger and diseases in open camps. A dangerous result of all this is that in our society all rights have become privileges and privileges have become rights. The public has a right to services like education, health and transport, but the system behaves as if it is offering a privilege. The public servant is duty-bound to serve the public, instead he behaves as if it is inconvenient to do so. Most people working for the state are no longer interested in performing their jobs but in finding ways to extract a premium from the hapless citizen. The premium or, more accurately, bribe is now an accepted practice.

Tragically, it has become a free for all society and laws that are designed to prevent this just fall by the wayside. The general attitude is of helpless resignation, an acceptance of the defeatist principle that if one is to survive one must become part of the game. It then becomes dangerously akin to the rule of jungle—might is right, the weak are meant to fall out and the predators meant to prey freely. The bleak side of the picture is that the persons—judges, politicians and bureaucrats—who are capable of checking this distortion, are not willing to oblige, for it would sever their power base and financial lifelines. If the system is to be saved from sinking into greater chaos and ultimate collapse, corrective actions must be taken forthwith. The starting point should be a clear recognition of the State's role with respect to harmonious working of legislature, judiciary and administration. The State will have to vehemently devote its entire energies to enforcing laws that protect the public from cheats and racketeers rather than supporting a system which protects and encourages them.

Anti-graft institutions protecting corrupt: TI

The Transparency International observed here on Sunday there was an annual corruption of Rs2,000b in the Federal Board of Revenue, while during the past ten years a sum of Rs1,000 billion was embezzled in the independent power projects.

Talking to The Nation in connection with World Anti Corruption Day, TI country head, Adil Gillani, said poverty and inflation could be ended in Pakistan by bringing back this embezzled money.

He also observed that anti-graft institutions were protecting corruption and the corrupt. Performance of National Accountability Bureau, Federal Investigation Agency and Anti Corruption Establishment was zero, he added.

The TI official further said there was no accountability of power and petroleum projects in the past ten years.

About new government's performance, Gillani said the ruling Pakistan Muslim League-Nawaz had not initiated any major project so far, so there was not any noticeable corruption on part of the incumbent government.

He said tenders were awarded against single bid in the LNG project in violation of the PPRA rules and that was pointed out to the Supreme Court.

About the Punjab government, the TI official said, "We examined the record of metro bus project; out of a total of 27 tenders 25 were issued in accordance with the PPRA rules so no corruption was found."

The project was worth Rs30 billion and it was completed within nine months, as decided. – *Courtesy The Nation*

Jetty/IOCB: PSM all set to allow its commercial use

Pakistan Steel Mills (PSM) is all set to allow commercial utilisation of its jetty/ Iron Ore and Coal Berth (IOCB) after getting formal approvals from the Ministry of Ports and Shipping and Federal Board of Revenue (FBR), sources close to acting CEO PSM told on Sunday. The source said the commercial utilisation of Pakistan Steel's IOCB had been under consideration of the Ministry of Industries and Production for quite some time.

The Ministry directed the PSM management to constitute a committee to examine the possibility of commercial utilisation of surplus unloading capacity of IOCB as well as to develop tender

documents for competitive bidding in this regard. The committee's report was submitted to the Ministry on 2 October 2013. Subsequently, the issue was placed before the PSM board in its last meeting which also gave clearance to the proposal.

Giving details, sources said that Pakistan Steel's jetty had been obtained from Port Qasim Authority (PQA) for exclusive use to unload imported basic raw materials from ships ie iron ore and coals etc required for its operational needs.

The unloaded raw materials from ships are transported through a dedicated 4.5-km-long conveyor system and stacked at discharging end in operational yards situated within the main plant area of Pakistan Steel. Therefore, having no other alternate arrangement, the availability of the jetty (IOCB) is vital for exclusive use of Pakistan Steel as its operations totally depend on the smooth and uninterrupted unloading of required basic raw materials.

As the ownership of the jetty rests with the PQA, fixed charges of Rs. 277 million per annum are paid by the Pakistan Steel to the PQA, irrespective of tonnage of raw material unloaded. Besides, around Rs 150 million per annum is incurred on the salary/wages of the employees working at the jetty. About Rs 50 million is spent annually on maintenance of equipment and protection of steel structure from corrosion etc.

Keeping in view the above mentioned existing status of the jetty (IOCB) and considering the case under the Risks Mitigation Strategy, the window of opportunity for the commercial outsourcing of surplus capacity of the jetty exists till such time Pakistan Steel operates on less than 90 % capacity utilisation. At present, this period can be taken as one year. The prospect of further commercial outsourcing of surplus capacity of the jetty (IOCB) may be considered from the perspective of Pakistan Steel's enhanced capacity operation and its expected further expansion from 1.1 mtpy to 1.5 mtpy in Phase-I and up to 3.0 mtpy in Phase-II.

Based on possible surplus capacity against 1.1 mtpy capacity of PSM, a financial feasibility has been prepared for one year. The Request For Proposal (RFP) document mentioning necessary terms and conditions for tendering purpose to invite proposals from potential bidders/firms has also been prepared.

The following prerequisites are also mentioned for consideration prior to finalisation of the contract with any successful bidder.

The present bulk material handling capacity at the jetty may only cater for Pakistan Steel's raw material needs for its operation at around 80-90% capacity. Reasons are as under:

Both ship unloaders are in operation for the last 32 years and each of them has completed more than 140,000 hours operational life against designed operational life of 60,000 hours. As per past record of 32 years, the average achieved unloading rate remained 510 tons per hour.

The intercepting conveyor network after Junction No.1 and unloading/stacking machines in primary stock yard (PSY) of Raw Material Handling Department (RMHD) and coal handling yard of Coke Oven & By Product Plant (COBP) have also completed more than 32 years of service life.

In case of increased work load, the wear/tear of the jetty and its installations, conveyor networks and stacking machines will increase, leading to increased frequency of breakdowns, and interruptions in supply of raw material to Pakistan Steel.

It is assessed that with effective maintenance on regular basis the existing unloaders and allied conveyor network and machines will be capable of unloading about 50 ships annually, each having capacity of 50,000 tons+ 10%. Some ships of smaller size carrying 10,000 to 20,000 tons of cargo are also unloaded which increase the operational time and lower the unloading rate. The existing maximum draught of the jetty (IOCB) is 11.5 meters at which ships carrying more than 55,000 tons of cargo cannot be handled.

The sources said, since ownership of the jetty and the responsibility for provision of night navigation facility, increase of draught for berthing of larger size vessels, besides civil maintenance and strengthening of the jetty (IOCB) rests with the PQA, the commercial utilisation of the jetty has to be fully agreed to and supported by the PQA. Moreover, being a government organisation, Pakistan Steel is paying subsidised charges to the PQA. Rates for commercial utilisation of jetty (IOCB) may have to be negotiated with the PQA.

The PSM is yet to resolve the following issues; (i) fate of Service Agreement signed by Pakistan Steel with M/s. Tuwairqi Steel Mill;(ii) NOC from PQA; and (iii) liaison with custom authorities to declare the private ware house for storage of commercial cargo as custom bonded warehouse. – *Courtesy Business Recorder*

FBR fails to implement FTO's suggestions

Federal Tax Ombudsman (FTO) recommendations to submit details of sales tax refund cases pending for more than one year across Pakistan and monitor the conduct of IRS officers remained unimplemented by FBR without filing any review/representation before FTO/President.

When contacted a Lahore based tax lawyer Waheed Shahzad Butt told that the office of the FTO has proved to be of great help in redressal of genuine grievances and hardship caused to the aggrieved taxpayers of Pakistan as a result of maladministration on the part of the Revenue Division. The Recommendation of the FTO is legally binding to the FBR and the law must take its course. The FTO's recommendation must be implemented after the expiry of the 30 days period from the FTO's recommendation otherwise it would be treated as defiance, which may be punishable with contempt under section 16 of the FTO Ordinance, 2000 read with Federal Ombudsmen Institutional Reforms Act, 2013.

Earlier, the FTO recommended the FBR to submit details of sales tax refund cases pending for more than one year across Pakistan and monitor the conduct of IRS officers. It is the first of its kind a landmark judgement where the FTO ordered the FBR to submit sales tax refund cases across Pakistan pending for more than one year and also ordered to keep the conduct of the ACIR and LDC under watch. These are the recommendations of the FTO in a complaint filed by a senior citizen named Muhammad Ramzan.

It is observed by the FTO that in any case the statute requires no proof of physical transfer of goods from supplier to buyer as a pre-condition for making an input tax refund claim and blacklisting cannot be made effective retrospectively especially when blacklisting is due to irregularities detected in the suppliers dealings with buyers other than the complainant. It is a well settled principle of law that a past and closed transaction cannot be reopened especially when a beneficiary has no role in the irregularity committed by the other party.

According to the findings of the FTO, there was a protracted delay in the disposal of the refund claims of the complainant. The complainant contends that all the required supporting documentation was filed well in time which was evident from the fact that after receipt of the supporting documents the department started verification of tax payments from the suppliers concerned

in the year of 2001. Verification letters issued by the then Assistant Collector, Sales Tax Refund (Commercial Exporter), Lahore, to Assistant Collector, Sales Tax Verification Cell, Lahore, in the year of 2001, specifically letter Nos. 2340 dated 19.03.2001 and 2818 dated 13.07.2001 are self-explanatory.

The complainant says that due to serious personal medical problems including heart problems and major surgeries during the period 2001 to 2010 he was not able to pursue the refund claims filed by him and the department did nothing to process and dispose of these pending claims within the time allowed under the statute. The complainant was not served with a single notice intimating deficiencies in the documentation filed nor was his explanation sought on any aspect pertinent to the claims. In 2010, the Complainant enquired from the dept the status of his pending claims. The dept vide letter No 2(44)Ex/2011 dated 17.10.2011 informed the complainant that because of significant lapse of time and absence of supporting documents the refund claims had become time-barred.

The complainant filed a Writ Petition No 9532/2012 in the Lahore High Court challenging the departmental rejection of the refund claims. The High Court vide order dated 16.04.2012 directed the Secretary (Exemption) FBR to pass a speaking order after observing that the rejection letter was not a speaking order and was in violation of Section 24A of the General Clauses Act 1897 and Article 10A of the Constitution.

The complainant contends that departmental functionaries started approaching him for payment of illegal gratification to dispose of the refund claims.

The protracted delay in issuance of refund tantamount to maladministration and the delay also create the right to receive compensation under Section 67 of the Act. The FTO recommended the FBR to ensure that refund/compensation due is promptly issued, as per law, submit details of sales tax refund cases pending for more than one year across Pakistan and keep the conduct of ACIR Langrial and LDC Altaf under watch, the FTO order added.
– *Courtesy Business Recorder*

Plugging leakage: major changes to income tax laws proposed

Chief Collector of Customs Appraisement (South), Karachi has proposed major changes in the income tax laws for plugging in

revenue leakage, taking place in collection of withholding tax on the import of goods under section 148 of the Income Tax Ordinance, 2001.

Sources told here on Sunday that Nasir Masroor Ahmed, Chief Collector of Customs Appraisalment (South) Karachi, has made recommendations to the FBR for introducing changes in tax laws to improve monitoring and compliance at the import stage. In this regard, Chief Collector has analysed the entire withholding regime and made practical recommendations for improving withholding tax collection at the import stage.

According to Chief Collector of Customs Appraisalment (South) Karachi, section 148 of the Income Tax Ordinance, 2001 empowers Collector of Customs to deduct advance tax (Withholding Tax or WHT), on imports in the same manner and at the same time as the customs duty payable in respect of imported goods. The scope of this levy as outlined in Section 148 of the said Ordinance is at the following rates (specified in Part II of the first Schedule): Five percent of the value of goods in the case of industrial undertakings/companies; 5 percent in all other cases of companies; and 5.5% in case of all taxpayers other than those covered in the above said categories of industrial undertakings/ companies.

Sources said that the levy of WHT under Section 148 of the Ordinance 2001, on the basis of the taxpayer-type creates operational issues viz identifying the taxpayer as either an industrial-undertaking ie manufacturer or otherwise. Normally, the assessing officer determines the taxpayer-type from the Sales Tax Registration data as available on the FBR website, which in most of the cases shows a diverse mix of multiple business activities eg importer/exporter/manufacturer/service provider etc (this categorisation suffers from inherent infirmities). Further complexity is added on account of SRO 212(I)/2013 dated 14.03.2013, which prescribes reduced WHT rates of 1% & 3% for imports by manufacturers/commercial importers respectively (under SRO 1125(I)/2011, dated 31.12.2011). Therefore, if the STRN indicates status as “manufacturer” (taken to be an “industrial undertaking”) the advance tax rate applied is 5% (or 1%) and if otherwise, the applicable rate would be 5.5% ad val (or 3%).

Another contributory factor is the definitional difference in the Sales Tax Act, 1990 vis-à-vis Income Tax Ordinance 2001 in characterising the word “manufacturer” ie whereas ITO 2001

refers to such taxpayers as an “industrial undertaking”, the Sales Tax Act, 1990 uses the word “manufacturer”. While the difference between both terms is obvious (industrial undertaking is recognised as having a certain number of personnel engaged in specified activities), it is felt that there is need to harmonise both terms. Synchronising both statutory provisions would aid in determining the appropriate status of a taxpayer, especially at import stage, Chief Collector said.

As observed customs duties are generally collected on the basis of the category of goods and not on the type of importer, in terms of Customs SRO.565(I)/2006 dated 05.06.2006 clearance of goods at concessionary rates, in respect of a manufacturer/ importer is linked to availability of in-house manufacturing capacity which in turn is coupled with determination of the annual requirement of input goods of the manufacturer. Such mechanism is not available under Income Tax regime which opens up avenues for misuse and manipulation. To rationalise WHT collection with regard to the charging provisions of the Customs Act, 1969 the following options are proposed:

Income Tax law may suitably be amended to incorporate legal provisions for determining the annual requirement of imported inputs of an industrial undertaking through a survey report (similar to SRO 565(I)/2006 dated 05.06.2006). The annual requirement would be fed into the WeBOC System by the respective RTOs so that when the industrial undertaking files GD, the system will automatically apply the appropriate rate ie 5% ad val (or 1% ad val in case of imports under SRO 1125(I)/2011). Conversely when any other type of importer files a GD and the system does not detect the permissible annual quota, it would charge WHT @ 5.5% ad val (or 3% ad val in case of imports under SRO 1125(I)/2011). It would also remove any chance of incorrect assessment considering that once WHT is quota-bound, system and/or assessor will automatically apply the rate for industrial undertaking once claim for the respective SRO is detected, Chief Collector proposed.

Alternately if the aforesaid proposal is found to be unviable (in view of the fact that a company may not fall within the definition of an “industrial undertaking”), the NTN of Industrial undertakings / Companies could be tagged appropriately, so that upon filing of GD in WeBOC, the system would automatically

recognise the tagged NTN and apply the correct rate ie 5%. Again, un-tagged NTNs would attract the higher rate of WHT.

The aforesaid proposals are made with a view to plug any leakages in the system due to in-correct application of the taxpayer type, introduce horizontal equity across different statutory levies (at import stage) and ensure that no avenue is left open to potential tax evaders, Nasir Masroor Ahmed, Chief Collector of Customs Appraisalment (South) Karachi added. – *Courtesy Business Recorder*

Implementation, monitoring: FBR given plan to run new tax incentives scheme

Finance Minister Ishaq Dar has given a detailed plan to the Federal Board of Revenue for effective implementation and monitoring of the new tax incentives scheme and established a central monitoring office in the FBR HQ to run the scheme amicably at the national level.

Sources told here on Monday that the Finance Minister has highly appreciated the role played by the FBR team of tax managers for its effective launching of the scheme.

According to Ishaq Dar, “I would like to appreciate the efforts made by the Federal Board of Revenue in formulating the tax incentives scheme, which was announced by Prime Minister Nawaz Sharif on November 28, 2013. Initial reports show that the scheme has received positive public response indicating the appropriateness and effectiveness of the incentives,” he said.

The Finance Minister further informed FBR Chairman Tariq Bajwa that the FBR should now put in place an effective implementation and monitoring mechanism so that the scheme can be properly implemented and the public is facilitated in availing various facilities announced. This needs to be done on top priority basis.

Therefore, it has been advised to the FBR that a cell may be created in the FBR to inter alia particularly focus on the following on which the Prime Minister would like to be kept updated on weekly basis:

Firstly, establishment of Prime Minister’s tax Incentives’ Scheme Counters in every tax office; particularly those of the Deputy Commissioners and above.

Secondly, notification of “focal persons” at the level of Commissioner office with due publication in press and FBR website.

Thirdly, establishment of a web-based portal facilitating new taxpayers in registering them and making online payments. Fourthly, establishment of a Complaint-Registration-and-Redressal system on the website of FBR, with a link on the PMO’s website.

Fifthly, advertisement and publicity in print and electronic media.

Sixthly, holding meeting and arranging seminars and Associations/Chambers/Federations to explain the features of the package and answering any queries. Commissioners must ensure that these are arranged and held at the earliest.

Seventhly, establishment of a “Central Monitoring Office” in the FBR Headquarters to ensure that the scheme is administered in an effective manner and that all the above steps are duly taken by the officers concerned in an effective and timely manner. The FBR should monitor the implementation of the scheme and keep Finance Ministry informed through weekly reports, Ishaq Dar added.

Following direction of the Finance Minister, the FBR has established a committee to ensure implementation of the scheme in an effective manner at the level of the Board and field formations.

The committee headed by FBR Member Inland Revenue Policy would comprise the following members: FBR Member IR Operations, Chief Income Tax Policy, Irfan Raza Secretary TPA-I and a tax official would act as a co-ordinator. The committee would address the issues pertaining to the Tax Incentives Scheme, sources said. – *Courtesy Business Recorder*

Afghan transit trade: relevant MCCs to handle all past matters: FBR

The Federal Board of Revenue (FBR) has informed Collectors of Customs that all past matters pertaining to transit trade including adjudication of Afghan Transit Trade (ATT) cases, their appeals and representation at higher appellate fora will be handled by the relevant Model Customs Collectorates (MCC).

In this regard, the FBR has issued instructions to all Model Customs Collectorates here on Monday regarding 'ISAF container scam- legacy issues, relating to Afghan Transit Trade'.

According to the FBR's instructions, reference to the Directorate General Transit Trade's letter dated 18.11.2013 on the subject and to say that Board has already clarified that legacy issues relating to ISAF/Nato containers scam prior to functioning of DGTT, will continue to be dealt with by the relevant Model Customs Collectorates. Now, it is further clarified that all legacy matters including adjudication of Afghan Transit Trade (ATT) cases and their remand, appeals and representation at higher appellate fora will be dealt with by the relevant Model Customs Collectorates, FBR added. – *Courtesy Business Recorder*

About 70 percent drop in revenues feared: government urged to slash 17 percent GST on tractors immediately

With installed capacity of 100,000 units per annum, the country's tractor industry is expected to close the current financial year with less than 30,000 units, which would show about 70 percent drop in revenues from this industry in the FY 2013-14, mainly due to high rate of General Sales Tax (GST).

Agriculturists are of the view that Pakistan currently needs 800,000 more tractors to match India in per hectare tractor population. They said the government needs to immediately slash GST on tractors to bring tractor rates in the reach of small land-holders so as to move forward in farm mechanisation and maximising per acre yield. Despite producing the cheapest tractor in the world, the Pakistani farmers are still not able to afford tractors.

It may be noted that the Pakistan Association of Automotive Parts and Accessories Manufacturers (Paapam) had also sought the help of Lahore Chamber of Commerce and Industry (LCCI) for the revival of dying tractor industry.

LCCI Acting President Mian Tariq Misbah has called for withdrawal of decision to raise rate of GST on tractor industry as increase from existing rate of 10 percent to 17 percent from January 1, 2014 would hit the entire agriculture sector hard besides rendering thousands of skilled workers jobless.

Tariq Misbah said the tractor assemblers and their 300 plus vendors fear a severe drop in sales as a result of massive hike in GST from January 1.

He said that 17 percent GST to be paid by the country's farmers will further curtail their ability to purchase tractors. With no subsidies on tractors in the current federal and provincial budgets, meager loaning by ZTBL in the absence of a Federal Agricultural Ministry (thanks to the 18th amendment) and GST set to go to 17 per cent under IMF pressure, will all add up to massive drop in tractor sales, he added.

The LCCI Acting President said Pakistan lags far behind India in crop yield, crop intensity and number of tractors per hectare. He said that drop in tractor sales means unemployment for thousands of skilled workers who work in hundreds of factories producing tractor parts for the tractor assembly plants.

Employment in rural Pakistan will also be curtailed, as tractor is a major source of employment generation in the form of drivers, mechanics, and spares/lub suppliers etc, he added.

The LCCI Acting President said that an industry that had crossed 70,000 units production for two consecutive years ie, 2009-10, 2010-11, is bracing for below 30,000 units production this year. –
Courtesy Business Recorder

Smuggling of various goods causes over Rs 22 billion loss to kitty

Pakistan's markets are full of smuggled goods ranging from cosmetic to cigarettes, but a few individuals involved in the business are interested in legalising their business, a survey conducted by revealed. Sale of smuggled petrol and diesel (including LPG) in Balochistan, Sindh, Khyber Pakhtunkhwa and South Punjab has reached its peak, which is causing above Rs 22 billion annual losses to national kitty.

contacted different people and market places well-known for smuggled goods to determine the volume of smuggled goods circulating in the national economy and concluded that an estimated Rs 16 billion smuggled tea is being traded in the country, Rs 18 billion cigarettes, Rs 22 billion petroleum products including smuggled LPG, Rs 25 billion auto-parts as well as vehicles and over Rs 200 billion other products including cosmetics

clothing, footwear, medicines, spices, juices, electronics and other items.

The oil, auto parts, cigarettes, tea, electronics and spices smugglers are using Pakistan-Afghan borders and Pak-Iran borders as well as coastal areas of Balochistan as their favoured routes through which their agents market smuggled goods to other parts of the country.

According to Petroleum Ministry officials, as much as Rs 22 billion petroleum products are being smuggled from neighbouring Iran and Afghanistan to Pakistan, which has reached at their peak now-a-days due to high prices of the products in the local market, causing hefty losses to national kitty.

According to an owner of Liquefied Petroleum Gas (LPG) Marketing Company, at present sale of smuggled LPG from Iran to Pakistan has almost doubled compared to legal business because local LPG is available at Rs 140 per kg while smuggled is available at Rs 100.

Tanvir Khan, an auto parts and vehicles trader based in Quetta, revealed that annually he is selling about 1,000 vehicles, which he brings from Chamman, Pakistan's border city with Afghanistan. He added that an estimated 50,000 different vehicles are being smuggled into the country from Afghanistan per annum.

"We are selling these vehicles at low prices: a Honda Accord car is available at Rs 3.5 million to Rs 4 million in the country while smugglers are providing this car at Rs 0.7 million", Tanvir added.

Salman Ahmad, a Lahore-based businessman, told on telephone that he has invested Rs15 million rupees in the 'informal' business. He said he brings cosmetics, jewellery, and medicines from India and supplies these items to wholesalers in Anarkali market.

Elaborating on the route, he said that items from India are first brought to Dubai, then Afghanistan and finally via Torkhum reach Bara Market in Peshawar.

"Almost 50,000 rupees are given to Afghan and Pakistani officials as a bribe in a single consignment," he said. Some of the medicines he brings from India include Aspirin, Amoxilin, Ampicillin, Cemetidine, Lexotanil, Co- Trimaxazole, Famotidine, Ciprofloxine, and Rentidin.

Talking about the government scheme of investment, he said that he along with his two other partners are planning to invest in business of drugs to whiten their money. "We are not going to

leave our business of bringing things from India, but will definitely invest in Pakistan in the legal business,” he said.

Ahmad said that investment through the scheme will provide him with two benefits: legal business and whitening of money.

Kamran Khan, an Islamabad based businessman, said that the government’s scheme is neither lucrative nor beneficial to businessmen like him. Khan is involved in illegal business of import of garments from Bangladesh and China. “There is neither electricity nor gas in Pakistan. How can one invest in these terrible conditions?” he asked.

Khan termed the government’s investment scheme ‘a drama,’ saying if the government is serious about luring businessmen for investment, it should announce a long term investment policy. “The informal business is easy and more reliable than legal business in Pakistan,” he said. – *Courtesy Business Recorder*

FBR recalling senior officers on deputation

The Federal Board of Revenue has decided to recall all officers (BS-17 to BS-20) to their parent organisation, who are serving on deputation in other government departments/ organizations for a period of more than three years. Sources told here on Monday that the FBR has issued instructions to the field formations on ‘FBR-officers on deputation-decision.’

According to the FBR, due to acute shortage of officers in BS-17 to BS-20 in FBR (HQ) and its field formations, it has been decided that the officers who are serving on deputation in other government departments/organisations for a period of more than three years will be recalled to their parent organisation.

The officers who have already completed five years of deputation in other departments, as a rule, are required to report back immediately to their parent departments. As for officers having completed initial period of three years, the FBR for the aforementioned reason shall not extend the period of deputation beyond three years. All the officers of BS-17 to BS-20 may be informed about this policy decision.

Respective Chief Commissioners/Director Generals/Chief Collectors/ Collectors are also requested not to recommend any officer for deputation for the reason mentioned above, the FBR added. – *Courtesy Business Recorder*

Income support levy: Supreme Court suspends SHC's interim order

The Supreme Court of Pakistan has suspended the interim order of Sindh High Court (SHC) in a matter of imposition of the 0.5 percent Income Support Levy imposed through the Finance Act, 2013. Sources told here on Wednesday that the SC has suspended the operation of SHC interim order in the civil petition number 1796 of 2013.

The SHC had granted a stay order against the imposition of the 0.5 percent Income Support Levy. It has also been learnt that the petitions are fixed for hearing on December 16 and SHC would hear the matter on day-to-day basis for deciding the case.

According to the SC order, a constitution petition filed before the High Court of Sindh had challenged the provisions of Income Support Levy Act, 2013 as being illegal and unlawful on a number of grounds and the SHC had allowed the interim relief that would allow the petitioner to file the returns of income manually without filing the Income Support Levy pro forma. It has been argued that through an interim order the provisions of law (statute) to which presumption of constitutionality is attached cannot be rendered ineffective and nugatory, directly or indirectly. Leave is granted, inter alia, to consider the above. In the meantime, operation of the impugned orders is suspended, the SC order added.

In the SHC, it was argued that the federal government does not have the authority to pass any legislation on the social welfare of the public at large. It was further argued that after the 18th Amendment the right to legislate about the social welfare issues has been devolved to provinces. If any such legislation is to be passed, it is within the domain of the provincial legislature.

The levy was challenged on grounds that it is discriminative in nature; as it is applicable and collectable from a taxpayer and 'no' other person. Secondly, the levy is a fee and cannot be passed as a Money Bill through an Act of the Parliament. Thirdly, the levy tends to take away the already taxed property of the person, which can only be taken away by the state in case of emergency. The levy is a sort of double taxation as the accumulated wealth represents income already taxed or exempted. Furthermore, it was challenged in the SHC that the constitutional guarantees given to the persons to hold property have been taken away through the passage of Income Support Levy Act, 2013, which being a fundamental right cannot be taken away, but only in a state of emergency.

It was also argued that the levy is to be recovered from persons who are paying income tax and filing their tax returns. There is no way the FBR can recover levy from persons who are out of the tax net. This alone creates a discrimination and amounts to taxing further the persons who are already being taxed. – *Courtesy Business Recorder*

Failure to deposit value addition tax: recovery proceedings launched against 600 importers

The Federal Board of Revenue has launched recovery proceedings against over 600 importers, who failed to deposit 3 percent minimum value addition tax on the imported goods during 2013.

Sources told here on Wednesday that the Project Director Computerised Risk-Based Evaluation of Sales Tax (Crest) system has issued discrepancy lists of importers containing profiles of units to the concerned Collectors of Customs Model Customs Collectorates (MCCs) for recovery of unpaid amount of tax at import stage. The Crest has detected this major discrepancy during clearance of imported consignments from ports and initiated recovery against the defaulting importers on national level.

Details of the lists revealed that the MCC Appraisalment Customs House Karachi failed to collect 3 percent minimum value addition tax from over 273 units during January-April 2013. The list further revealed details of importers with National Tax Number (NTN), import value of goods, value addition tax payable and other relevant data. In another case, 43 units cleared their consignments through MCC Appraisalment Customs House Lahore where minimum value addition tax has not been paid at the import stage. Similarly, 40 units have not paid minimum value addition tax during clearance of their consignments from MCC Quetta. Over 70 units cleared their consignments from MCC Appraisalment Hyderabad without payment of minimum value addition tax at the import stage. Four importers cleared their consignments from MCC (Appraisalment) Peshawar without payment minimum value addition tax at the import stage. Similar instructions have also been issued to remaining MCCs for necessary action against the defaulted importers.

According to the Project Director Crest communication to all Collectors of Customs, during analysis of import data from January 2013 to April 2013 by the Crest team, it has been

observed that certain importers have not paid minimum value addition tax at the rate of three percent of the value of goods as required under rule 58B of chapter X of the Sales Tax Special procedure Rules, 2007 issued vide SRO.480(I)/2007 dated 9.6.2007 as amended, subsequently.

The details of such importers have been given to the Collectors of Customs. It is, therefore, requested to initiate recovery in all such cases. In case of any issue, the Crest team can be contacted by the Collector of Customs, instructions added. – *Courtesy Business Recorder*

FBR establishes help desk at MCCI

Chief Commissioner, Inland Revenue Multan, Hafiz Muhammad Jamil Owaisi has said that the Federal Board of Revenue (FBR) has established a help desk at Multan Chamber of Commerce and Industry (MCCI) to facilitate taxpayers regarding the newly introduced system for filing sales tax returns through web portal. MCCI President, Khawaja Muhammad Usman and Secretary General, Khurram Javed briefed him about working of help desk.

He said that this help desk has established to provide proper information to the stakeholders.

He assured that the FBR would also ensure technical assistance for the proposed help desk on regular basis. MCCI chief urged the concerned authorities not to make this newly introduced system of returns mandatory for all the taxpayers. It must be kept optional for six months, so that during this period taxpayers can prepare themselves for this system, he added. – *Courtesy Business Recorder*

Najeeb Qadir named chief CSTRO

Najeeb Qadir, Chief Taxpayers Audit Wing Federal Board of Revenue (FBR), has been assigned the additional charge of the post of Chief Centralised Sales Tax Refund Office (CSTRO) FBR (Hq), Islamabad, with immediate effect. According to a notification issued by FBR here on Wednesday, Dr Ashfaq Ahmad Tunio (IRS/BS-20) has been relieved from the additional charge of the post of Chief (CSTRO), FBR. – *Courtesy Business Recorder*

FBR urged to remove tax anomaly on sack kraft paper's import

Federal Board of Revenue (FBR) has been urged to remove the anomaly in taxes on sack kraft paper, as raw material for similar products ie. Woven Polypropylene (WPP) sacks enjoy duty benefits of 10 percent at the import stage, despite both being the basic raw material for the finished products.

This anomaly in duty structure has allowed WPP sack units to offer lower prices and encouraged the use of Woven Polypropylene sacks for packaging cement, to the extent that 4 new WPP units have been established in the recent past. This is threatening the existence of the Paper Bag Manufacturers that operates in the organised sector, contributing to the national exchequer and providing direct and indirect employment.

The Association pointed out that Sack Kraft Paper is globally recognised as an environmental-friendly packaging material and is derived from sustainable forests.

Furthermore, Paper Bags are primarily used for packaging cement, and then reused to make other paper products and recycled by the local paper industry to produce different grades of paper for local consumption.

On the other hand, contrary to claims by the WPP sack manufacturers, WPP bags are neither environment-friendly nor biodegradable. Recycling of WPP bags is not possible as cancerous dioxins are released in the process. Moreover, the raw material for WPP (being polypropylene granules) is derived from oil which itself is becoming scarce.

It is worth mentioning that recently "Oxo Degradable" plastic bags are being promoted, however, Oxo Degradable plastic provides the solution to the littering problem and does not make plastic biodegradable.

In developed countries of Europe and US only sack kraft paper bags are used for cement packaging, and WPP bags are mainly used in developing countries of Asia and Africa where environmental considerations are still not on the priority list. –
Courtesy Business Recorder

FBR transfers 17 officers

The Federal Board of Revenue (FBR) has transferred 17 officers of the Inland Revenue Service (BS-18-20) with immediate effect.

According to the notification issued here, Jehanzeb Mahmood (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (Zone-I) Regional Tax Office, Peshawar. Ghazanfar Hussain (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (WHT) Regional Tax Office, Sialkot .He will also hold additional charge of the post of CIR (Zone-I), RTO, Sialkot. Muhammad Akram (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (WHT) Regional Tax Office, Sargodha. He will also hold additional charge of the post of CIR (Zone-II), RTO, Sargodha. Sarfraz Ahmad (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (WHT) Regional Tax Office, Islamabad. He will also hold additional charge of the post of CIR (Zone-II), RTO Islamabad. According to the notification, Shad Muhammad (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (WHT) Regional Tax Office, Peshawar. Abdul Malik (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (WHT) Regional Tax Office, Bahawalpur. He will also hold additional charge of the post of CIR (zone-I), RTO, Bahawalpur.

The notification further stated that Dr. Ahmad Shahab (Inland Revenue Service/BS-19) has been transferred and posted as Commissioner Inland Revenue (WHT) (OPS) Regional Tax Office, Gujranwala.

He will also hold additional charge of the post of CIR/OPS (zone-II), RTO, Gujranwala. Asif Haider Orakzai (Inland Revenue Service/BS-19) has been transferred as Commissioner Inland Revenue (WHT) (OPS) Regional Tax. – *Courtesy The Nation*

Repayment-cum-drawback: ghee exporters are entitled to file claims: FBR

The Federal Board of Revenue has ruled that the registered persons are entitled to claim composite repayment-cum-drawback of sales tax and Federal Excise Duty (FED) against exports of vegetable ghee and cooking oil under SRO.993(I)/2006. In this regard, the FBR on Thursday issued instructions to the Chief Commissioners of the Large Taxpayer Units (LTUs) and Regional Tax Offices (RTOs) for compliance.

According to the FBR, field formations would process the claims of repayment-cum-drawback against exports in accordance with the
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provisions of SRO.993(I)12006 through manually generated refund payment orders (RPOs) and to guide the refund claimants about the correct procedure.

The FBR stated with reference to the letter received from M/s Bilour Industries (Pvt) Limited that registered persons are entitled to claim composite repayment-cum-drawback of sales tax and federal excise duty (FED) against exports of vegetable ghee and cooking oil in terms of SRO 993(1)/2006 dated September 21, 2006 wherein specified rates have been prescribed. As such, it is different from export-related sales tax refund claims, where the full amount of input tax is refunded.

The FBR further said that such composite repayment-cum-drawback is subject to the conditions and procedure prescribed in the aforesaid notification. The amount of FED paid on edible oil is required to be claimed for Sales Tax-cum-Federal Excise Return wherefrom it will be automatically transferred to Row No 31 of the return, and shown as "Federal Excise Duty (FED) Drawback". As per para 3A of the aforesaid notification, refund of sales tax on electricity, gas and packing materials shall however, be paid on the basis of actual quantities consumed.

Apparently, exporters were previously mentioning their imports of edible oil only on the return, which caused the FED to be treated as input tax in Row No 3 of the return. Due to linking of returns with customs data in July 2013, this is no longer possible in case of manufacturers and exporters of vegetable ghee and cooking oil, FBR maintained.

The FBR further directed the field formations that the concerned LTUs/RTOs are therefore advised to process the claims of repayment-cum-drawback against exports in accordance with the provisions of SRO 993(1) 12006, dated 21-09-2006 through manually generated RPOs and to guide the refund claimants about the correct procedure. For previous tax periods, wherein returns have already been filed by the registered persons without claiming repayment-cum-drawback, the claims may also be processed manually, keeping in view all the legal requirements to ensure proper calculation and admissibility of the claim, FBR added.

Earlier, Bilour Industries Pvt Ltd had informed the FBR that the unit is registered as manufacturing-cum-Importer/Exporter and engaged in the production of vegetable ghee. At import stage on edible oil, the unit is paying FED @ 16% (in Sales Tax mode) along with Rs 1/Kg under SRO 24(1)/2006. However, when the unit load

Import GDs of the Sales Tax Return the Input Tax is not reflected at serial No 03 of Sales Tax & Federal Excise Return from Tax Period June, 2013. In this respect the unit had approached the FBR and submitted sales tax and federal excise returns according to official's guidance.

To claim refund/drawback electronically the unit has written a letter on September 12, 2013 to Secretary (ST & FE-L&P), Federal Board of Revenue, Islamabad to modify the Risk Management System (RMS) accordingly or otherwise, enabling us to claim S. Tax Refund & Federal Excise Duty (FED) Drawback. It is requested that to do the needful at your earliest to avoid from strain as huge working capital has been stuck from the tax period June 2013 till date. – *Courtesy Business Recorder*

FBR steps vide Circular 15 against Prime Minister's vision: TBA

Tax Bar Associations on Thursday termed the measures taken by Federal Board of Revenue (FBR) through SRO 1040(I) and circular no 15 as against Prime Minister Nawaz Sharif's vision. Pakistan and Karachi Tax Bar Associations in their separate letters sent to chairman FBR, Tariq Bajwa, said that measures announced by PM Nawaz for broadening of tax base had not been reflected in FBR policy.

It said that after the issuance of circular no 15, no taxpayer could avail immunity and urged the board to take remedial measure to remove the flaws and make the scheme a 'success story'. There is a need to pay heed to some issues highlighted in the letters.

Letters stated said that taxpayers have been permitted to make lump sum addition (ad hoc), which was presently prohibited as per S. No 9 of Part I (General) of Circular No 15.

Therefore, changes made in profit and loss account, to enhance tax liability by 25 per cent, will not only not be supported by the books of accounts but also not be declared by the taxpayers in sales tax returns.

Resultantly, huge segment of the taxpayers will be excluded from availing this immunity scheme. Keeping this in view, it has been suggested that taxpayers be allowed to calculate lump sum addition tax and avail the benefit of the scheme.

Despite the announcement made by PM Nawaz the scheme currently grants immunity from tax audit only under sections 177 and 214C of the Income Tax Ordinance, 2001.

However, the commissioner has the authority to use sections 122(5) and 122 (5A) to amend assessment without a detailed audit and these powers are often misused to harass taxpayers.

In the absence of immunity from all sorts of assessment / amendments under the Income Tax, Sales Tax and Federal Excise Act, the scheme is unlikely to attract the large number of traders and small and medium size taxpayers.

Therefore, it has been suggested that immunity may be granted across the board under all fiscal laws to make this scheme workable. The cases should only be reopened where definite information is available with the department after the due approval of the board, the letters said.

As per clause 4 of Part I of Circular No 15, the time limit for filing of tax returns for Tax Year 2013 has been fixed as December, 15 2013.

On the other hand, there is no Performa, related to circular 15 available on FBR web portal to make taxpayers enable filing of income tax returns, electronically. It has also been requested that the board may extend the date of filing of returns for at least a month.

The letters said that who declared income below taxable limit (which was Rs 350,000/-) for Tax Year 2012 under clause 7 of Part I of circular 15 were not eligible to avail tax immunity.

In the past, similar immunities were granted under the Repealed Ordinance. In those immunities where the taxpayer declared income below the taxable limits in any previous year, was permitted to work out his enhanced tax liability based on the preceding available liability.

Therefore, the letters suggested that taxpayers may be allowed to adopt any preceding tax year's tax liability to avail benefit of immunity scheme.

It said that, there is no identification of the taxpayer in the Performa attached to the circular, creating confusion whether the taxpayers were required only to file such Performa.

It is requested to provide space for name and NTN in the Performa besides clarifying the last date of filing of tax returns for the companies.

Both Tax Bar Associations in their letters requested the authority to take appropriate measures in the light of issues raised by the associations and provide maximum relief to the taxpayers. –
Courtesy Business Recorder

Restaurants' registration: tax survey launched in Islamabad

A tax survey has been launched in the federal capital to compulsorily register restaurants, hotels and guest houses with the sales tax department through special teams of tax officers physically inspecting all markets and posh locations in Islamabad. Sources told here on Thursday that the tax survey is expected to register dozens of un-registered restaurants, where sales tax has been charged from consumers, but never deposited with the Federal Board of Revenue (FBR).

Regional Tax Office (RTO) Islamabad would depute Inland Revenue officers in all such potential restaurants liable to be registered with the sales tax department. Special teams of the said RTO would inspect all un-registered restaurants and exercise powers of the Sales Tax Act 1990 for their compulsory registration. In case the restaurant is liable to be registered, the tax officials would immediately register it with the tax department.

According to the RTO Islamabad communication to the FBR, in view of the fact that there is no full time Commissioner Inland Revenue and Additional Commissioner Inland Revenue is posted at Zone-III, RTO Islamabad. Hence, for proper monitoring of restaurants the jurisdiction of restaurants, hotels and guest houses have been assigned to Commissioner Inland Revenue, Zone-II RTO Islamabad. Moreover, as desired by the FBR, the survey teams have been constituted to conduct survey of unregistered restaurants. They will be submitting the report during December, 2013 and accordingly meeting will be held with Chief Executive Officers (CEO), Pakistan Revenue Automation Limited (Pral) to decide the strategy for the electronic monitoring of restaurants. – *Courtesy Business Recorder*

FBR cuts tax on goods, passengers transport vehicles

The Federal Board of Revenue (FBR) on Friday reduced tax rates on goods and passengers transport vehicles, as in case of goods transport vehicles it has been reduced from Rs 3 per kg to Rs 2 per kg of the laden weight.

According to the notification issued here, tax rates on transports vehicles with laden weight of 8120 kg or more after a period of ten years from the date of registration would be Rs 1200 per annum. Meanwhile, in case of passenger transport vehicles plying for hire, as Rs 25 per seat per annum on 4 or more persons but less than 10 persons, Rs 60 per seat for 10 or more persons but less than 20 persons and Rs 250 per seat per annum for 20 persons or more.

According to the section 234 of the Income Tax Ordinance, the tax rate should be collected as Rs 750 on vehicles up to 1000cc, Rs 1250 on vehicles on 1001cc to 1199cc, Rs 1750 on 1200cc to 1299cc, Rs 3000 on 1300cc to 1599cc, Rs 4000 on 1600cc to 1999cc, Rs 8000 on 2000cc and above.

Meanwhile, in case of lump sum payment, tax rate should be Rs 7500 on up to 1000cc, Rs 12,500 up to 1001cc to 1199cc, Rs 17500 on 1200cc to 1299cc, Rs 30,000 on 1300cc to 1599cc, Rs 40,000 on 1600cc to 1999cc and 80,000 on 2000cc and above vehicles.

Meanwhile, according to the notification 231 purchase of motor car, the tax rate should be collected as Rs 10000 on vehicles up to 850cc, Rs 20,000 on 851cc to 1000cc, Rs 30,000 on 1001cc to 1300cc, Rs 50,000 on 1301cc to 1600cc, Rs 75,000 on 1601cc to 1800cc, Rs 100,000 on 1801cc to 2000cc and Rs 1,50,000 on above 2000cc. – *Courtesy The Nation*

Customs to blacklist Afghan importers, clearing agents by December 22

Customs department is going to blacklist Afghan importers and their clearing agents by December 22, 2013, it was learnt here on Friday. According to sources, as per rule 619 of SRO 601(1)/2011, Insurance Guarantees (IGs) are required to be submitted by the authorised clearing agents, brokers, transport-operators on behalf of the Afghan-based importers in respect of commercial Afghan Transit Trade consignments.

The submitted IGs are valid for at least one year. The validity of one year time period is led into the Pakistan Revenue Automation Limited (PRAL) system at the time of clearance of the

consignments. On expiry of one year, PRAL system blocks the National Tax Numbers (NTN) of the clearing agents, being authorised representative of a foreign national.

Accordingly, NTN of the clearing agents, who submitted IGs on behalf of the Afghan importers, were blocked in the computerised system for exceeding one year validity period. These IGs cannot be released because the requisite documents as required under SRO 610(1)/2011 for release of IGs were not submitted yet. Moreover, these IGs have not been re-validated to keep them legally alive for encashment, which was legal responsibility of the person on whose behalf the IGs had been submitted as provided under clause C (i) and (ii) of rule 621 of SRO 601(I)/ 2011.

The sources said that department had taken some measures to avoid any blockage of transit trade and for smooth clearance of the Afghan transit consignments. In order to clear the Transit Trade consignments stuck-up for blockage of NTN of clearing agents, the NTN of the customs agents have been do- blocked in the system.

The Customs Agents, through their Association, may be directed to immediately contact the relevant afghan importers for getting the IGs, submitted on their behalf, revalidated. The Customs Agents may also be directed to insist upon Afghan importers to approach Afghan customs for submission of T-1 documents (a proof of customs duty payments to Afghan authorities) to Pakistan customs, as soon as possible, in all the pending IG cases so that the IGs could be released.

A period of 60 days has been specified for completion of the steps mentioned above. After the expiry of 60 days in all those cases, where submitted IGs are not re-validated nor released, the system will automatically block clearance of the future imports of the principal (ie Afghan importer) and the NTN of their authorised representative (ie Customs Agent) which may result in blockage of the transit trade consignments. Sources further said that customs department was going to blacklist Afghan importers and their clearing agents after expiry of 60-day period, which will complete on December 22, 2013.

Talking to, one of the leading clearing agents of Afghan transit, Afaq Jamal, termed the decision as unjustified, saying that clearing agents had nothing to do with it. Instead of blacklisting clearing agents, the customs department should squeeze the Afghan importers to get relevant documents, he maintained. He

also requested chairman FBR to intervene in the matter and take appropriate measures to resolve the issue. – *Courtesy Business Recorder*

Taxpayers' data: FBR refuses to give AGP unlimited access

The Federal Board of Revenue has refused to provide unlimited access to taxpayers' soft data (income tax and sales tax) to the Auditor General of Pakistan (AGP) for external audit under section 216 of the Income Tax Ordinance, 2001. Sources told here on Friday that the FBR had informed the AGP about the legal complications in providing unrestricted access to the taxpayers' soft data due to restrictions under section 216 (disclosure of information by a public servant) of the Income Tax Ordinance 2001.

The section 216 of the Ordinance 2001 talks about the confidentiality of the taxpayers' data/record. The major controversy between the FBR and the AGP on providing unlimited access to taxpayers' soft data was discussed during the last meeting on the issue. In this regard, the decisions of the last meeting, on provision of sales tax record and access to soft data of FBR to audit, has been circulated by the FBR to the AGP office here on Friday.

Referring to the meeting, sources said that Shahid Hussain Asad, Member Inland Revenue (Policy) and Muhammad Ashraf Khan, Member IR (Operations) gave the viewpoint of FBR on the issue. Dr Muhammad Iqbal, S A to Chairman also provided input on the legal complications in providing unrestricted access. Safdar Hussain, Member (Legal) thereafter guided the meeting about the legal complications. The section 216 of the Income Tax Ordinance was read by the Member (Legal) and he explained the same with reference to certain complications in providing unrestrained access. The FBR also informed that its own field formations for reasons of secrecy have not been provided unlimited access to the taxpayers' soft data.

With regards to the issue of supply of the taxpayer soft data of Inland Revenue to the AGP office, Member (Accounting) informed that in the past, the FBR agreed to provide access to the FBR soft data to the Director General Audit, on case to case basis. Pakistan Revenue Automation Limited (Pral) prepared a Requirement Specification Documents (RSD) which was provided to the AGP. The access to soft data has still not been provided as RSD prepared by M/s Pral was objected by the AGP office on the grounds of

masking the name of taxpayer and Search Keys requirement RTO/LTU-wise. Further, the Withholding Statements of Income Tax and Sales Tax were also demanded by the AGP to be included in the list of the Inland Revenue soft data.

On the concern shown by the FBR regarding data secrecy, Liaquat Ali Shah Hamdani, Deputy Auditor General of Pakistan intervened and guided the participants in reaching the following decisions: The FBR will provide tax office wise-National Tax Number (NTN), name and business activity of registered income tax return filers for the year being audited to the office of AGP for selecting the sample cases to be audited.

Secondly, the officers of the Auditor General of Pakistan will undertake necessary analysis and based on that shall inform the FBR for providing the relevant returns/statements of the taxpayers. On receipt of the above request, the concerned Tax Office will provide the relevant returns/statements of the taxpayers to the Director General IR (North) and (South) of the Auditor General of Pakistan for conducting audit, AGO officials added. – *Courtesy Business Recorder*

Audit exemption: revised proforma notified

The Federal Board of Revenue has revised the proforma under SRO.1040(I)/2013 to seek additional information from persons intending to obtain exemption/immunity from audit by paying 25 percent higher tax for Tax Year 2013 against tax paid/assessed for Tax Year 2012. In this regard, the FBR has issued Income Tax Circular 16 of 2013 to revise the proforma to claim exemption/immunity from audit under sections 177 and 214C of the Income Tax Ordinance 2001.

Under the revised proforma, the FBR has asked the persons to submit their names, category of taxpayer, ie, individual, AoP or company, address, city, mobile/phone and email, etc. An official said the FBR has revised the proforma to seek basic information about the person, who wanted to avail of the scheme. The already issued proforma under Income Tax Circular 15 of 2013 has been amended to collect basic information about the persons intending to obtain immunity from audit under SRO.1040(I)/2013.

Meanwhile, the FBR said to facilitate the taxpayers in their contribution to national economy, the Prime Minister of Pakistan has announced a package whereby the taxpayers may enjoy

exemption from total audit if they pay 25 percent more tax than their last year's declared or assessed tax; whichever is higher. Taxpayers who have already filed their returns and intend to avail of this facility may revise their income tax returns by December 15, 2013.

However, the taxpayers who have already filed their returns or revised returns without the proforma for claiming immunity can file their revised proforma II by December 31 as provided in Circular 16 of 2013, the FBR added. The immunity from audit is available under clause 84 through SRO.1040(I)/2013 to all persons, ie, an individual, AoP and company. The persons who have already filed their returns, for tax year 2013, may revise their returns to claim immunity from audit under SRO.1040/2013 dated 5.12.2013 and no approval of Commissioner under section 114(6)(ba) of the Income Tax Ordinance, 2001, shall be required. The immunity is also available to persons whose income for Tax Year 2012 was exempt, but their income for Tax Year 2013 is taxable. They would pay 25 percent more tax as compared to tax that would have been payable if the income of Tax Year 2012 was not exempt, it said.

It said that the tax required to be paid to avail of the concession/immunity under the said SRO is to be computed in accordance with proforma specified in part II. Those who have already filed their revised return may file this proforma by December 31, 2013. However, this does not vouch for extension in the date for filing of returns which continues to remain December 15, 2013. – *Courtesy Business Recorder*

IRS & PCS officers told to submit declaration of assets

The Federal Board of Revenue has directed all the officers of Inland Revenue Service (IRS) & Pakistan Customs Service (PCS) to submit declaration of assets and liabilities for the year ending June 30, 2013. The FBR has issued instructions to the field formations, here on Friday regarding declaration of assets held and acquired by the officers of IRS/PCS for the year ending June 30, 2013.

According to the FBR, with reference to the subject under Rule 12 of the Government Servants (Conduct) Rules, 1964 and administrative instructions issued by the Establishment Division from time to time, the Declaration of Assets and Liabilities for the year ending 30.06.2013 were required to be submitted by all the

officers/officials of the FBR by 31st August, 2013 on the prescribed Performa available on the website www.fbr.gov.pk.

All the officers of IRS & PCS serving under LTUs/RTOs administrative control may be advised to submit their Declaration of Assets and Liabilities for the year ending on 30.06.2013 latest by 20.12.2013. It may also be brought to the notice of all concerned that non-compliance of the above instructions tantamount to “misconduct” in terms of the Government Servants (Conduct) Rules, 1964 and therefore cognisable under the Government Servants (Efficiency & Discipline) Rules, 1973, the FBR added. – *Courtesy Business Recorder*

NOTIFICATION

In exercise of powers conferred by Section 8 of the Federal Board of Revenue Act, 2007 read with Rule 3(1) of FBR Rules, 2007, the Board-in-Council in its meeting held on 08-11-2013 has been pleased to delegate the powers and functions of the Board under various fiscal statutes administered by the FBR to the Members of the Board and to prescribe their job descriptions as under:

DELEGATION OF POWERS TO MEMBERS, FBR**Member (Customs)****1. Exercise powers and perform functions of the Board under the following provisions of Customs Act, 1969;**

Sections 2(ai), 4 with approval of Chairman, 5, 6, 8, 9, 10, 11, 18E, 20, 21, 21A(1), 21A(2), 22A, 25C, 25(12), 26(3), 26A, 27A, 32B, 35(2), 37, 38, 43, 45, 45(2), 50, 53, 54, 65, 67, 68(5), 71, 76(1)(a), 79(3), 82 (after approval of FG), 85, 86(I)(b), 90(2), 90(3), 98(1), 98(2), 99(2), 100(2), 107(1), 110, 121(2) & (3), 125, 129(A), 131(a), 131(2), 131(2) proviso, 147, 155(G), 174 [2nd Proviso], 177(1), 179(2), 179(4), 181 [1st Proviso], 181 [2nd Proviso], 182, 185F, 193(2), 194A, 195, 195C(2), 195C(3A), 195C(4), 195C(7), 201(1) (1A), 202(5), 202B(2) with approval of chairman, 203(A), 211(2), 217, 219 and 224.

1. Exercise powers and perform functions of the board under the following provisions of Customs Notification;

S.R.O. 71(I)/95, S.R.O. 554(I)/98, S.R.O.678(I)/2004, S.R.O. 575(I)/2006, S.R.O. 41(I)/2009, S.R.O. 809(I)/2009, S.R.O. 565(I)/2006, S.R.O. 576(I)/2006, S.R.O. 655(I)/2006, S.R.O. 656(I)/2006, S.R.O. 450(I)/2001, S.R.O. 75(I)/2006, S.R.O. 327(I)/2008, S.R.O. 559(I)/2008, S.R.O. 492(I)/2009 and S.R.O. 413(I)/2012.

Member (Inland Revenue-Policy)**1. Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990;**

Sections 2(46)(g), 3(1B), 3(6), 4(d), 8B Proviso, 9, 10(1) Provisos, 14, 22(1)(f), 22(2), 23(1), 23(3), 23(4), 26(1) 1st & 2nd provisos, 26(5), 50(1), 61, 61A, 63, 72C with approval of chairman and Clause 48 of 6th Schedule.

2. Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;

Sections 2(29C)(b), 27(c), 28(3) to the extend of formulating criteria of approval of leasing companies etc., 32(3), 46(d), 59AA(6), 61(5),

67(2), 74(2A), 76(11), 77(6), 100B(2)(e), 111(5), 114(2A) in consultation with Member(IT), 148(2), 155(3)(vii), 159(3) to the extent of exempting persons, class of persons, goods or class of goods from withholding tax, 181(3), 181(3) Proviso, 183, 206, 206A, 227A with approval of Chairman, 237(1), Clause 12 of Part I of 2nd Schedule, Clause 13(iii) of Part I of 2nd Schedule, Clause 53A of Part I of 2nd Schedule and Clause 57 of Part I of 2nd Schedule.

3. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005;

Sections 3(3), 4(2) proviso, 4(5), 4(8), 5(2), 5(3), 6(3), 7(1), 12(5), 17(1)(g), 18(3), 18(4), 18(5), 40(1), and 42C with approval of Chairman.

4. Exercise powers and perform functions of the Board under the following provisions of Income Tax Rules, 2002;

Rules 19A, 19B, 19C, 19D, 19E, 19F, and 231A.

5. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Rules, 2005;

Rules 31(2), 32(2), 33(1), 33(2), 33(3), 40(7), 41A(15), 43(6) and 79.

6. Exercise powers and perform functions of the Board under the following provisions of Sales Tax Rules, 2006;

Rules 18 and 150.

Member (Inland Revenue-Operations)

1. Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990;

Sections 2[5AA(f)], 2(9), 6(2), 8A, 10(3), 13(2)(b), 21(1), 21(4), 22(1A), 26(1), 27(a), 31, 32(1)(a) & (b), 37A, 37B(13), 37I, 38(1), 38B(3), 40B, 40C, 45A, 47A, 47A(4), 48(1A), 55, 62 and 74.

2. Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;

Sections 26(2), 28(3), to the extent of granting approvals in the light of criteria of leasing companies, etc., 74(11), 80(2)(b)(vi), 134A(2), 134A(4), 165(3), 180, 181A, 202, 209(1) except for CIR (A), 209(2), 2012 to the extent of powers conferred on him by this distribution/delegation of powers order, 214A, except for appellate body and 217(1) in consultation with Member (IT).

3. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005;

Sections 16(3), 22(1), 23(1), 29(3), 35(1), 38(1) to (4), 43, 45(2), 45(3), 45A and 46(1).

4. **Exercise powers and perform functions of the Board under the following provisions of Income Tax Rules, 2002;**
Rules 90, 94, 109, 220B and 231C.
5. **Exercise powers and perform functions of the Board under the following provisions of Federal Excise Rules, 2005;**
Rules 2(b), 2(g), 3(5), 5(1), 5(4), 25, 26, 28, 31(1), 33(4) in consultation with Member (IR-Policy), 36(4), 40A(3), 41A(2), 53, 54, 55, 56, 57, 58, 64, 74(3), 76, 77 and 78.
6. **Exercise powers and perform functions of the Board under the following provisions of Sales Tax Rules, 2006;**
Rules 5, 6, 10, 12, 27, 28, 30, 41, 44, 52, 62, 64, 65, 66, 67, 68, 69 and 150F.

Member (Legal)

1. **Exercise powers and functions under the following provisions of Customs Act, 1969;**
Sections 185G(2) and 193A(3) [1st Proviso].
2. **Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990;**
45A (to the extent of orders by CIR(A) and 74 to the extent of granting condonation to CIR(A) in respect of appellate matters.
3. **Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;**
Sections 209(1) to the extent of CIR(A), 214A in respect of orders by CIR(A) and 223(7).
4. **Exercise powers and functions under the following provisions of Federal Excise Act, 2005;**
Sections 35(1) and 43 – to the extent of appellate orders.

Member (Administration)

1. **Exercise powers and perform functions of the Board under the following provisions of Customs Act, 1969;**
Sections 3, 3A, 3AA, 3B, 3BB, 3C, 3CC, 3D, 3DD and 3DDD (all with the with approval of Chairman)
2. **Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990;**
Sections 30 with approval of chairman and 30(1) with approval of Chairman.

3. Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;

Section 208(1) with the approval of Chairman.

4. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005;

Section 29(1) with approval of Chairman.

Member (FATE)

1. Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;

181B and 216(5).

Member (Taxpayers Audit)

1. Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990;

Sections 32A and 72B to the extend of actual selection on the basis of criteria approved by Board-in-Council.

2. Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;

Sections 177(8) and 214C to the extend of actual selection on the basis of criteria approved by Board-in-Council.

3. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005;

Sections 42B(1) to the extend of actual selection on the basis of criteria approved by Board-in-Council and 45(4).

Member (Information Technology)

1. Exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990;

Sections 2(5AAA) in consultation with Member (IR-Operations), 22(2A) in consultation with Member (IR-Operations), 22(3) in consultation with Member (IR-Operations), 26(1) 3rd Proviso in consultation with Member (IR-Operations), 50A in consultation with Member (IR-Operations) and 52A in consultation with Member (IR-Operations).

2. Exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001;

Section 237A in consultation with Member (IR-Operations).

3. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005;

Sections 4(6) in consultation with member (IR-Operations) and 17(2)(b) in consultation with Member (IR-Operations).

4. Exercise powers and perform functions of the Board under the following provisions of Income Tax Rules, 2002;

Rules 73(2), 73(6) and 229.

5. Exercise powers and perform functions of the Board under the following provisions of Federal Excise Rules, 2005;

The electronic Filing of Federal Excise Rules, 2005.

6. Exercise powers and perform functions of the Board under the following provisions of Federal Sales Tax Rules, 2006;

Rules 150B, 150D, 150G, 150I, 150J, 150K, 150L and 150O.

JOB DESCRIPTIONS OF MEMBERS, FBR

Member (Customs)

1. Deal with all policy matters, rules, regulations, interpretation of relevant laws and perform all allied functions, relating to Customs, including:
 - i) Exemptions
 - ii) Duty Drawbacks
 - iii) Rebates
 - iv) Changes/modifications in Pakistan Customs Tariff
 - v) Judicial/Legal Issues
2. Formulate and present proposals relating to Customs for annual Finance bill;
3. Liaise with international organizations/agencies on matters relating to Customs;
4. Process, short list and nominate officers of Customs for Customs specific foreign training;
5. Supervise all inter-ministerial issues relating to Customs;
6. Exercise powers and perform functions of the Board under the provisions of Customs Act 1969, Customs Rules 2001 and Customs Notifications as delegated by the Board;
7. Perform any other duty or task assigned by the Chairman, FBR.

Member (Inland Revenue-Policy)

1. Deal with all policy matters, rules, regulations, interpretation of relevant laws and perform all allied functions, relating to Income

Tax, Sales Tax, Federal Excise Duty, Income Support Levy, Capital Value Tax, Wealth Tax and Corporate Asset Tax; including:

- a. Exemptions
- b. Avoidance of Double Taxation Agreements
2. Formulate and present proposals relating to Income Tax, Sales Tax, Federal Excise Duty, Income Support Levy and Capital Value Tax for annual Finance Bill;
3. Liaise with international organizations/agencies on matters relating to Inland Revenue;
4. Supervise all inter-ministerial issues relating to Inland Revenue;
5. Coordinate in matters relating to Inter Provincial Coordination committee;
6. process, short list and nominate officers of IRS for IRS specific training;
7. Exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005, Income Tax Rules, 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board;
8. Perform any other duty or task assigned by the Chairman, FBR.

Member (Inland Revenue-Operations)

1. Achieve revenue targets and manage operations relating to Inland Revenue;
2. Supervise revenue collection by Chief Commissioners of all RTOs/LTUs who shall report to him;
3. Monitor enforcement and Withholding Tax activities relating to Inland Revenue;
4. Law & Procedure except matters falling in the purview of Member (IR-Policy);
5. Liaise with the Member Customs for WHT on imports;
6. Exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005, Income Tax Rules 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board;
7. Perform any other duty or task assigned by the Chairman, FBR.

Member (Legal)

1. Grant approval for filing of appeals/references before High Courts and CPLAs before the Supreme Court;

2. coordinate with field officers to ensure representation, filing of Para-wise comments, and pursuing litigation in various courts;
3. Coordinate with field offices and FTO office to ensure submission of reports to FTO, implementation of FTO recommendation, filing of representation before the President and review before the FTO;
4. Coordinate with Law Division and Attorney General of Pakistan;
5. Coordinate with field offices in matters relating to recommending names of advocates to the Ministry of Law for their nomination on FBR Panel, appointment of ASCs and AORs in tax cases, assigning cases to and monitor performance of Legal Advisors and Advocates on panel and their fee matters;
6. Maintain and update list of pending cases before the Supreme Court and High Courts through Appeal Management Processing System and Litigation Management System;
7. Monitor performance of Task Forces constituted for the purpose of liquidation of sub-judice cases before the Supreme Court and High Courts;
8. Monitor performance of CIR(A) and Collector (A) and rationalize their work load;
9. Circulate important judgments of courts to the field offices and place the same on web;
10. Exercise powers and perform functions of the Board under the provisions of Customs Act 1969, Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal Excise Act 2005, as delegated by the Board;
11. Perform any other duty or task assigned by the Chairman, FBR.

Member (Administration)

1. Manage administration of Federal Board of Revenue;
2. Recruitment of officers/officials of FBR;
3. Transfer/posting of officers (BS-17 and above) of Inland Revenue and Customs in consultation with the concerned Line Members and with the approval of the Chairman;
4. Transfer/Posting of Commissioners (Appeal) and Collectors (Appeal) in consultation with Member (Legal).
5. Short list and nominate officers of FBR for mandatory training such as MCMC, SMC, NMC and NDU;
6. Deal with promotion/disciplinary/litigation cases of FBR employees;

7. Manage record of FBR employees and HRIS;
8. Manage sanctioned strength of FBR employees;
9. Development budget and its expenditure under PSDP;
10. Manage current budget of FBR;
11. Administer expenditure budget of field formations;
12. Process all matters relating to official/gratis passports and Exit Control List (ECL);
13. Coordinate in matters relating to the National Assembly, Senate Standing Committees on Revenue and Finance, Cabinet Decisions and other Ministries/Divisions;
14. Manage logistics, vehicles, library, buildings, internal/external security and procurements pertaining to their repairs/maintenance at FBR (HQ);
15. Process all matters relating to purchase/condemnation of vehicles at FBR (HQ and field offices);
16. Process hiring, de-hiring and rent payment of office buildings at FBR (HQ) and field offices;
17. Process hiring, de-hiring and rent payment of residential accommodations for employees at FBR (HQ);
18. Process re-imburement of medical claims of employees at FBR (HQ) and field offices;
19. Manage all administrative and coordination arrangements for Annual Revenue Budget;
20. Perform/initiate welfare activities for FBR employees;
21. Exercise powers and perform functions of the Board under the provisions of customs Act 1969, Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal Excise Act 2005, as delegated by the Board;
22. Perform any other duty or task assigned by the chairman, FBR.

Member (SPR&S)

1. Formulate revenue targets and do strategic planning for their achievements, in consultation with line members;
2. Provide analysis of date relating to collection of taxes i.e. Direct Taxes, Indirect Taxation, Customs Duty etc and fiscal updates on revenue generating efforts;

3. Conduct studies, as suggested by other Wings, particularly sectoral analysis on tax contributions;
4. Coordinate with other financial institutions;
5. Perform any other duty or task assigned by the Chairman, FRB.

Member (Accounting)

1. Deal with all matters relating to PAC/DAC on Audit Reports/ Performance audit reports/Special Studies Reports;
2. Deal with all matters relating to PAC/DAC on Appropriation Accounts (Grants with AGPR);
3. Deal with all matters relating to DAC on management/MFDAC (Memorandum for Departmental Accounts Committee) reports and Financial Attest of Financial Statements (Revenue Components) for each financial year;
4. Coordinate with Auditor General of Pakistan and Public Accounts Committee in matters relating to Audit and Vice Versa;
5. Perform any other duty or task assigned by the Chairman, FBR.

Member (FATE)

1. Facilitate and Educate taxpayers through development and execution of Media Campaigns on operational and policy matters of FBR;
2. Conduct Awareness Campaigns, Conferences, Workshops, Seminars, etc. for taxpayers;
3. Publish FBR's News letter;
4. Assist taxpayers by addressing their queries through Call Centre/ Helpline/e-mails/Fax etc.
5. Update and print all the statutes administered by FBR.
6. Manage and update FBR's official website;
7. Comply with the provisions of the Freedom of Information Act;
8. Process taxpayers' grievances under Section 7 of FBR Act, 2007;
9. Disseminate explanatory literature, brochures, FAQs for taxpayers;
10. Exercise powers and perform functions of the Board under the provisions of Income Tax Ordinance 2001, as delegated by the Board;
11. Perform any other duty or tax assigned by the Chairman, FBR.

Member (Taxpayers Audit)

1. Plan and design audit procedures;

2. Evaluate tax audits for all domestic taxes;
3. Devise and implement Annual National Audit Plan;
4. Prepare selection criteria for audit coverage of higher risk areas;
5. Spearhead the process of developing the audit methodology to assure audit quality;
6. Exercise powers and functions of the Board under Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal Excise Act 2005, as delegated by the Board.
7. Perform any other duty or task assigned by the Chairman, FBR.

Member (Information Technology)

1. Prepare plan and strategy for FBR in the field of Information & Communication Technology (ICT).
2. Provide support and assistance to the Senior Management in taking informed decision in the field of ICT;
3. Forecast and budget procurement of Software/Hardware/Networks, in coordination with PRAL;
4. Manage all ICT projects, including contract and Vendor Management, preparation of bidding Documents/RFPs/Bid Evaluation Reports, Consultants TORs, etc, for award of contracts for procurement of Software/Hardware, Networks, in coordination with PRAL;
5. Monitor and control software development and implementation by PRAL/external vendors and grant mandatory prior approval for initiating new or modifying/enhancing/shelving existing software application;
6. Undertake periodic System Audits for Quality Assurance, especially security of the Operational Software, under development or developed and deployed, and resource Management for such System Audits;
7. Constitute use groups for various ICT activities;
8. Liaise with other Wings of FBR for Business Need Analysis;
9. Coordinate with Directorates General (T&R) for ICT Training of end-users;
10. Oversee cleansing of existing data;
11. Supervise PRAL's overall management, including administrative, financial and technical activities;
12. Monitor and evaluate overall performance of CEO, PRAL;

13. Serve as an essential interchange for all communications between PRAL and FBR(HQ)/ its field offices;
14. Spearhead the process of developing the audit methodology to assure audit quality;
15. Deal with all legal, administrative and financial matters relating PRAL, including agreement/contract and verification of invoices raised by PRAL;
16. Deal with all matters relating to SAP, including renewal of Licenses, Training and implementation, etc, in FBR and field offices;
17. Exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005, Income Tax Rules 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board;
18. Perform any other duty or task assigned by the Chairman, FBR.

Member (Enforcement & WHT)

1. Preparation of Annual Integrated Enforcement Action Plan
2. Analysis of data obtained from field formations regarding enforcement activities, including data of withholding taxes, arrears, etc.
3. Quarterly presentation of findings and recommendations based on aforementioned analysis before BIC
4. Liaison with Member (IR-Operations) regarding collection of withholding taxes

Plan & Design procedures regarding

- i) Taxpayer Registration including control of non-registration
 - ii) Tax Declarations including control of non-filing
 - iii) Tax payments
 - iv) Collection of tax arrears
 - v) Collection of with-holding taxes
5. Perform any other duty or task assigned by the Chairman, FBR.

Member (HRM)

1. Process, short list and nominate offices for local and foreign training, other than mandatory training and IRS specific and Customs specific training;
2. Deal with all matters relating to Policies & Procedures for Performance-linked Bonus Schemes, Voluntary Severance Scheme, Job Descriptions and Organizational Structure, work force planning;

3. Conduct awareness campaigns regarding changes and issues relating to human resources;
4. Perform any other duty or task assigned by the Chairman, FBR.

No.CCIR/RTO-II/SO-VII/2013-14 Islamabad, the 4th December, 2013

ORDER

Notification No. 27.- In pursuance of the Board's Order F.No.1(32)Jurisdiction/2013/158224-R dated 26.11.2013, and in exercise of powers conferred by Proviso to Sub-Section (1) of Section 209 of the Income Tax Ordinance, 2001, Sub-Section (2) of Section 30 of the Sales Tax Act, 1990 and Sub-Section (1A) of Section 29 of the Federal Excise Act, 2005, the jurisdiction over the case of M/s. Gulf Mineral FZE Pvt. Ltd. STRN: 17-00-2859-845-14 NTN: 2859845-8 is hereby assign to Commissioner Inland Revenue, Zone-I, RTO-II, Karachi.

C.No.4(11)ST-L&P/2011-164783 Islamabad, the 6th December, 2013

SALES TAX GENERAL ORDER NO. 53/2013

Subject: **Amendment in STGO 17/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of gas.**

In exercise of the powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 17 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the Table, after serial number 1110 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and entries relating thereto shall be **added**, namely:–

S #	Name of Unit	Registration No.	Consumer No.
1111	M/S GHAZI PROCESSING	2400520900428	19799484084

C.No.4(6)ST-L&P/2011-164783 Islamabad, the 6th December, 2013

SALES TAX GENERAL ORDER NO. 54/2013

Subject: **Amendment in STGO 09/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of electricity.**

In exercise of the powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the

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Statutes

following further amendments in its Sales Tax General Order No. 09 of 2007 dated 13th September, 2007, namely:-

In the aforesaid General Order, in the Table, after serial number 2689 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and entries relating thereto shall be **added**, namely:-

S #	Name of Unit	Registration No.	Consumer No.
2689	M/S GHAZI PROCESSING	2400520900428	24132455504057U

No.1(8)Rev Bud/98

Islamabad, the 10th December, 2013

To:

All Chief Commissioners Inland Revenue

Large Taxpayers Units, Regional Tax Offices

Subject: **Tax Facilitation Kiosks (KIOSKS)/Tax Facilitation Centers (TFCS)**

Please refer to above subject.

2. All Chief Commissioners are requested to ensure that all Tax Facilitation Kiosks (KIOSKS) and Tax Facilitation Centers (TFCS) are immediately operational and reactivated as the last date for filling of Income Tax return is 16th December 2013 (as Sunday 15th December is gazetted holiday).

3. Acknowledgment of having received these instructions please be sent to the Board by return of tax.

(FAREENA MAZHAR)

Chief (Revenue & Operations)

C.No.4(67)ITP/2013(Pt-I)

Islamabad, the 10th December, 2013

INCOME TAX CIRCULAR NO. 15/2013

Subject: **Imunity from tax audit under Section 177 and 214C read with Clause 84 of Part IV of Second Schedule to the Ordinance as per SRO.1040(I)/2013 dated 05.12.2012***.

In exercise of the powers conferred under Proviso to clause (84) of SRO.1040/2013 dated 05-12-2013 which has further amended Part IV of the Second Schedule to the Income Tax Ordinance, 2001, Federal Board of Revenue is pleased to issue the Circular for the purposes of said

* Should have been "2013"

proviso and to specify the Proforma to claim exemption/immunity from audit under sections 177 and 214C.

**PART-I
(GENERAL)**

1. The immunity from audit is available under clause 84 through SRO.1040(I)/2013 to all persons i.e. an individual, AOP and company.
2. The persons who have already filed their returns, for tax year 2013, may revise their returns to claim immunity from audit under SRO 1040/2013 dated 5.12.2013 and no approval of Commissioner under section 114(6)(ba) of the Income Tax Ordinance, 2001, shall be required.
3. The immunity is also available to persons whose income for Tax Year 2012 was exempt, but their income for Tax Year 2013 is taxable. They would pay 25% more tax as compared to tax that would have been payable if the income of tax year 2012 was not exempt.
4. Tax required to be paid to avail the concession/immunity under the said SRO is to be computed in accordance with Proforma specified in Part II. Those who have already filed their revised return may file this Proforma by 31.12.2013. However, this does not amount to extension of the date for filing of returns which continues to remain 15.12.2013
5. Tax has been paid on or before the due date for filing of return.
6. Tax paid for Tax Year 2012 includes minimum tax under section 113 of the Income Tax Ordinance, 2001.
7. Cases where income declared is below the taxable limit of Rs 350,000 for Tax Year 2012 will not qualify for the said immunity/exemption.
8. For the purpose of comparison, tax paid as final tax or fixed tax or a separate block of income, shall not be taken into account either for tax year 2012 or 2013.
9. The income is not arrived at by lump sum addition.

**PART-II
(PROFORMA)**

The Proforma as per SRO1040/2013 to be filed along with the Return is as under:—

- a) Where income was not exempt during tax year 2012.

1	Taxable Income declared for Tax Year 2012	
2	Whether taxable income revised/amended (Y/N)?	

3	If Yes, latest amended taxable income for Tax Year 2012	
4	Tax Paid on Taxable Income	
5	25% of 4	
6	Minimum Tax Payable for Tax Year 2013 under SRO.1040/2013 (4+5)	
7	Tax Paid for tax year 2013	
8	CPR No.	
9	Whether Eligible for Immunity from audit (FOR OFFICIAL USE ONLY)	

b) Where income was exempt during tax year 2012.

1	Income declared for Tax Year 2012	
2	Whether income for Tax Year 2012 Exempt (Y/N)?	
3	If answer to 2 is yes, tax payable if it was not exempt	
4	25% of 3	
5	Minimum Tax Payable for Tax Year 2013 under SRO.1040/2013 (3+4)	
6	Tax Paid for Tax Year 2013	
7	CPR No.	
8	Whether Eligible for Immunity from audit (FOR OFFICIAL USE ONLY)	

S.R.O. 1049(I)/2013, Islamabad, the 10th December, 2013.-

Whereas a difficulty has arisen in the treatment of “the Capital Redemption Reserve Fund” subsequent to the redemption of the preference shares in pursuance of the provisions of Section 85 of the Companies Ordinance, 1984 (XLVII of 1984). Now therefore, in exercise of the powers conferred on it, under the provision of Section 514 of the Companies Ordinance, 1984 read with clause (c) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), and the Finance Division Notification No. S.R.O. 698(I)/86, dated 2nd July, 1986, the Securities and Exchange Commission of Pakistan is pleased to direct that the provisions of section 85 ‘Redemption of preference shares’ of the aforesaid Ordinance shall have effect in respect of the capital redemption reserve fund as:-

the capital redemption reserve fund created as per the provisions of Section 85 of the Companies Ordinance, 1984, after redemption of the preference shares, may be applied by the company in paying up un-issued shares of the company to be issued to members of the company as fully paid bonus shares.

No.4(67)ITP/2013(Pt-I)

Islamabad, the 12th December, 2013**INCOME TAX CIRCULAR NO. 16/2013**Subject: **Corrigendum to Circular No. 15 of 2013 dated 10.12.2013.**

The following correction is hereby made in Federal Board of Revenue's Circular No. 15 of 2013 dated 10 December, 2013 namely:–

I. *The word and figures appearing in the subject of the said Circular as "dated 05.12.2012" may be read as "dated 05.12.2013".*

II. Part-II of the circular is amended as under:

**PART-II
(PROFORMA)**

The Proforma as per SRO.1040(I)/2013 dated 05.12.2013 to be filed along with the Return is as under:–

FEDERAL BOARD OF REVENUE GOVERNMENT OF PAKISTAN <u>REQUEST FOR SEEKING IMMUNITY FROM AUDIT FOR TY-2013</u> (To be Filed along with the Return)		
NTN _____ Person <input type="checkbox"/> Company <input type="checkbox"/> AOP <input type="checkbox"/> Individual <input type="checkbox"/>		
Name _____		
Address _____		
City _____		Tax Office _____
Mobile # _____		Phone # _____
e-Mail _____		
a) Where income was not exempt during tax year 2012		
Sr.	Description	Amount
1.	Taxable Income declared for Tax Year 2012	
2.	Whether taxable income revised/amended (Y/N)?	
3.	If Yes, latest amended taxable income for Tax Year 2012	
4.	Tax Paid on Taxable Income	
5.	25% of 4	
6.	Minimum Tax Payable for Tax Year 2013 under SRO.1040/2013 (4+5)	
7.	Tax Paid for tax year 2013	
8.	CPR No.	
9.	Whether Eligible for Immunity from audit (FOR OFFICIAL USE ONLY)	

b) Where income was exempt during tax year 2012.		
1.	Income declared for Tax Year 2012	Amount
2.	Whether income for Tax Year 2012 Exempt (Y/N)?	
3.	If answer to 2 is yes, tax payable if it was not exempt	
4.	25% of 3	
5.	Minimum Tax Payable for Tax Year 2013 under SRO.1040/2013 (3+4)	
6.	Tax Paid for Tax Year 2013	
7.	CPR No.	
8.	Whether Eligible for Immunity from audit (FOR OFFICIAL USE ONLY)	
Date	<input type="text"/>	<u>Signature Applicant</u>

Date: 12th December, 2013

**Mr. Muhammad Ishaq Dar,
Minister of Finance,
Government of Pakistan,
Q Block, Pakistan Secretariat**

Respected Sir

**IMMUNITY FROM TAX AUDIT UNDER SECTION 177 AND 214C
UNDER CLAUSE 84 OF PART IV OF SECOND SCHEDULE TO
THE ORDINANCE AS PER SRO.NO.1040(I)/2013 DATED
05.12.2013 READ WITH CIRCULAR 15 OF 2013.**

We are receiving various queries and proposals from all over the Country from the our affiliated Bar Association and subsequently we have attended the meeting of the office bearers and members of the Karachi Tax Bar Association (KTBA) which was held today at Bar Chambers, Regional Tax Office, Karachi, to further discuss the issues arising from the Circular No. 15 of 2013 issued on 10-12-2013.

There was a general consensus amongst the practicing tax fraternity that the measures announced by Mian Muhammad Nawz Sharif, Honourable Prime Minister of Pakistan to enhance the tax base of our beloved Country by taking into confidence the business community has not been truly reflected in the implementation measures introduced by the Federal Board of Revenue (FBR) through SRO 1040(I)/2013 dated 05-12-2013 and its guidelines issued through Circular No. 15 of 2013 dated 10-12-2013.

In the above meeting the members of the Bar have strongly criticized the above Circular and were of the view that in the present prescribed form it will be next to impossible to avail the immunity by a large number

of taxpayers and the same will not get the desired results as per the expectations of the Prime Minister.

Pakistan Tax Bar Association strongly recommends to your good self to take immediate remedial measure and prompt action to remove the lacunas and obstacles by taking the following amendments to make the scheme successful and to get the desired results as per the expectations which is the need of the day:

1. Allowing taxpayers to make lump sum addition (ad hoc) which at present is prohibited as per S.No. 9 of Part I (General) of Circular No. 15. This is due to the fact that changes to the profit and loss account to effect the requirements to enhance tax liability by 25% will not be supported by the books of accounts maintained and/or revenue declared in sales tax returns by the taxpayers. Hence, a very large segment of the taxpayers will be excluded from availing this immunity scheme. Therefore, the Pakistan Tax Bar strongly recommends that the Taxpayers should be allowed to make lump sum addition to tax to avail the benefit of the scheme.
2. The Honourable Prime Minister in his speech announced immunity from Tax Audit. However, the scheme currently grants immunity from tax audit only U/s. 177 and U/s. 214C only whereas under the Income Tax Ordinance, 2001. However, the Commissioner has the authority to amend the assessment without a detail audit by using his powers U/s. 122(5) and U/s. 122(5A) of the Income Tax Ordinance, 2001. These powers are often being misused to harass the taxpayers unnecessarily.
3. In the absence of immunity from all sorts of assessment/ amendments under the Income Tax, Sales Tax and Federal Excise Act, the scheme is unlikely to attract the large number of traders and small and medium size taxpayers. We, therefore, suggest in this regard that immunity may be granted across the board under all fiscal laws to make this scheme workable. Cases should only be reopened where definite information is available with the Department after the due approval of the Board.
4. As per clause 4 of Part I of Circular No. 15, the time limit of filing of tax returns for Tax Year 2013 has been maintained at 15th December, 2013. This is in spite of the fact that the aforesaid Circular No. 15 was available on the website of FBR after office hours on 10th December, 2013. Further, as of now, there is no Performa in respect of the said Circular No. 15 yet available on the web portal of FBR where return of income are to be filed online by the taxpayer.

Pakistan Tax Bar Association earnestly request the FBR for a prompt immediate appropriate action in this regard and we, therefore, strongly request you to first Extend the date of filing

of Tax Returns by at least ONE MONTH in order to take care of these issues.

5. Other Matters Requiring Attention:

- a. Under clause 7 of Part I of Circular No. 15, where a taxpayer has declared income below taxable limit (which was Rs. 350,000/-) for Tax Year 2012, the taxpayer is not qualified to avail immunity. In the past, similar immunities were granted under the Repealed Ordinance. In those immunities where the taxpayers declared income below the taxable limits in any previous year, he was permitted to work out his enhanced tax liability based on the preceding available liability, therefore, Pakistan Tax Bar Association recommends that a taxpayer may be allowed to adopt any preceding tax year's tax liability to avail benefit of this immunity scheme.
- b. In the Performa attached to the Circular, there is no mention of identification of the taxpayer which shall create confusion where the taxpayers is only required to file such Performa. Therefore, Pakistan Tax Bar Association further recommend, space for Name and National Tax Number should be provided for the convenience of the taxpayer and tax officials in the Performa.
- c. Clause 4 of Circular 15 of 2013 causes confusion as to the last date of filing of tax returns for the Companies who otherwise as per law are required to file the return of income by December 31 (Companies having close of year between January 01 and June 30). This issue required clarification.

We are hopeful that your honour will keenly indulge into the matter and look into the recommendations, shortcomings/anomalies highlighted above which are to be taken care of on prompt basis in order to implement the Scheme in a proper way so the taxpayers can be benefited from this Immunity announced by the worthy Prime Minister of Pakistan.

Yours truly,

Munawwar Husain Shaikh
President
