

KTBA welcomes withdrawal of audit notices

KARACHI: Karachi Tax Bar Association (KTBA) on Friday said that after intervention of the Federal Board of Revenue (FBR) many audit cases have been withdrawn from IRIS Portal, which were initiated under Section 122(5) of the Income Tax Ordinance, 2001.

KTBA President Muhammad Zeeshan Merchant in a letter to Chief Commissioners of tax offices located in Karachi welcomed the steps taken for deletion of audit cases that were initiated without definite information.

The KTBA on May 21, 2021 sent communication to all the chief commissioners of tax offices in Karachi informing them that Inland Revenue offices were issuing incorrect audit notices in order to avoid restriction of time limit as defined in the Income Tax Ordinance, 2001.

The tax bar strongly criticized the issuance of faulty audit notices for tax year 2015 in order to avoid time restrictions.

The KTBA said that notices had wrongly been issued by the field formation without properly appreciating returns of income tax as well as statements of wealth and also without proper application of mind as host of such cases pertains to income from property, salary, dividend etc. and also because the grounds advanced in the notices do not constitute 'definite information' within the meaning of Section of 122(8) of Income Tax Ordinance, 2001.

“As the time limitation prescribed for initiating proceedings for the tax year 2015 draws closer, bar members are afraid of encountering more such weird notices in days to come, which in no way tend to serve the

purpose of the Ordinance and are likely to create chaotic situation,” the tax bar said.

In response to the KTBA letter, the FBR took notice and directed the IR officials to avoid opening audit cases merely on surmises and assumptions.

The FBR said that it had received representations suggesting that the field offices were recklessly issuing notices under section 122(5) read with section 122(9) of Income Tax Ordinance, 2001 where purportedly the threshold of ‘definite information’ as defined under section 122(8) was not met.

“It goes without saying that amendment proceedings under section 122(5) of the Ordinance, merely on basis of audit suspicion picked from within the declarations lodged by the taxpayers themselves, is an enforcement travesty and need to abate,” the FBR said.

The scheme of law warrants that a taxpayer must be dealt with precisely as per principle of justice and fair play, it added.

The FBR directed the field formation to adhere with law and due diligence must be ensured in respect of each taxpayer and no case should be opened merely on surmises and assumptions. “All taxpayers must be provided adequate opportunity of being heard, too,” the FBR added.

In the instant letter, the KTBA said that most of cases notices with provoked and resentful reasons had been deleted/withdrawn from IRIS portal; whereas in some cases where online deleted/withdrawn communication was made the deletion/withdrawal was still awaited.