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KTBA highlights taxpayers' problems

KARACHI: The Annual Tax Returns forms issued by the Federal Board of Revenue (FBR) contain various errors and mistakes creating hurdles for taxpayers, an official said.

Karachi Tax Bar Association (KTBA) President Syed Rehan Hasan Jafri, in a letter to FBR Chairman Asim Ahmad, said that timely issuance of forms does not seem to result in timely filing of forms owing to failure to pay heed to the issues and errors and failure to bring the desired and necessary changes.

The taxpayers and the legal fraternity are distressed due to the deletion of the tab previously available in the return to claim “adjustment of earlier refunds against the tax liability of the current year”, he added.

“The adjustment of refund against the payable tax is a fundamental right of a taxpayer and refund adjustment has always been provided in the return forms without any dispute,”

“Needless to mention that the deletion of the refund adjustment row goes against the rights of the taxpayer depriving him of his legitimate claim. The matter needs to be given the due cognisance as this is a huge deterrence in timely filings,” Jafri said.

The KTBA president observed that the IRIS web portal is computing and attributing income associated with provisions of Section 153 on certain predefined and programmed formula, which results in higher taxation on the same income.

He suggested that such taxpayers should be allowed to compute and attribute their incomes based on facts of their cases instead of prefixed tabs, and relevant fields for entering the figures should be relaxed and open.

“The tax payable by a person other than a banking and insurance company on profit on debt and interest income from the government securities is 15 per cent, which will be final tax as envisaged under clause 20 of Part III of the Second Schedule of the ordinance.

The said clause has been omitted through the Finance Act 2022, which will be applicable from the tax year 2023. Despite this fact, IRIS has been manned to calculate tax on such profit on debt and interest income as per normal slab rate thereby wrongly applying the changes made through the Finance Act 2022 retrospectively in the tax year 2022 as well,” the KTBA president said.

The initial depreciation allowance at 25 per cent is allowed on the purchase of plant and machinery under the provisions contained under Section 23. The IRIS on web portal is presently not catering this scenario in line with law resulting in an incorrect computation of tax depreciation, he said.

Jafri observed that the statement of wealth for tax year 2022 is pre-populated with the opening balance of last year’s closing balance of original wealth statement filed by the taxpayer without considering any revised wealth statement filed by the taxpayer.

Consequently, those taxpayers who had revised their latest wealth statement are facing unnecessary and avoidable hassle, he said.

“Subject to some exemption, tax at the rate of 20 per cent has been imposed on deemed income calculated at five 5 per cent of fair market value of capital assets situated in Pakistan. The fair market value has been defined in the Section 68 of the ordinance and has also been notified by the FBR through a number of SROs,” the KTBA president said.

He recommended incorporation of such valuation tables in the back-end working of the income tax return after which the calculation of tax under Section 7E would be calculated automatically by the IRIS system based on the description of property incorporated by the taxpayer in its wealth statement.