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KTBA Raises Alarm Over Tax Turmoil for Salaried Class

The Karachi Tax Bar Association (KTBA) has called upon the Federal Board of Revenue (FBR) to immediately withdraw the show-cause notices served to salaried individuals regarding tax recoveries.

In an official communication addressed to Dr. Hamid Ateeq Sarwar, Member (Inland Revenue – Operations), the KTBA asserted that these notices, issued under Section 162 of the Income Tax Ordinance, 2001, are both unwarranted and legally untenable.

KTBA President Ali A. Rahim expressed concern over the issuance of these notices, highlighting that hundreds of salaried taxpayers have been targeted with allegations of claiming excessive income tax credits in their returns. He noted that such accusations predominantly arise when tax officers encounter verification difficulties within the IRIS MIS system or face challenges in recovering withheld taxes from employers, the designated withholding agents.

Rahim emphasized that salaried individuals file their income tax returns based solely on salary certificates provided by their employers, in accordance with Rule 41 of the Income Tax Rules, 2002. These certificates, prepared after the fiscal year's conclusion, serve as the singular source of information regarding tax deductions. Consequently, any discrepancies or shortfalls in tax payments must be attributed to the employer, not the employee.

“The issuance of these notices is beyond the jurisdiction prescribed by Section 162 of the Ordinance,” Rahim stated. “This section authorizes notices only if an employer fails to deduct or collect tax under Section 149. Here, however, the tax has already been duly withheld, documented through salary certificates containing CPR details.”

KTBA further underscored the disproportionate tax burden already borne by salaried individuals, who are taxed on gross earnings without exemptions or deductions. The issuance of these notices, therefore, not only contravenes statutory provisions but also exacerbates the distress of these taxpayers.

The association has urged the FBR to instruct its field formations in Karachi to revoke these notices without delay and adhere strictly to the legal framework governing tax deductions. Failure to address this issue, KTBA warned, would perpetuate unwarranted anxiety among law-abiding taxpayers and erode trust in the tax administration's integrity.

KTBA remains steadfast in its commitment to ensuring fair and lawful tax practices and protecting the rights of Pakistan's salaried class.