

April 16, 2021

KTBA asks to resolve problems in tax adjustments on services

KARACHI: The Federal Board of Revenue (FBR) was not allowing manual claims of adjustment against provincial services and the automatic function was also not available, which caused hardship for taxpayers, tax practitioners said.

In a letter, the Karachi Tax Bar Association (KTBA) highlighted that the data / invoices of all provinces were neither synchronised nor readily available automatically.

This was not only creating problems for taxpayers in claiming the provincial input tax (services input tax), but they also were unable to submit their monthly sales tax returns for March 2021 (last date of e-filing April 18, 2021).

In most cases it was observed that service input tax data prior to tax period March 2021 was not available, due to which taxpayers were unable to claim it.

Banks and other businesses such as courier services etc, deposit provincial sales tax (ST) as a bulk entry instead of depositing it against each taxpayer, which affected service input tax.

Further, service input tax of only those taxpayers was being retrieved who have e-filed / submitted their returns, which was unnecessarily delaying ST returns filing.

Taxpayers in some cases are unable to claim the service input tax in ST returns, though the same was available under Annexure A.

Apart from above, there were other teething issues for taxpayers and tax practitioners alike, which included but were not limited to withholding tax on ST showing as payable, service input tax entries once deleted not uploading again, and deferment of service input tax.

In order to resolve the issues, the KTBA suggested that till the time this new system was fully functional “use both old as well as new system for claim of service input tax” to allow taxpayers to claim genuine ST paid by them.

It also suggested that old system of claim of service input tax should be phased out gradually instead of sudden disallowance. Once the system was fully functional, KTBA suggested providing an option to claim service input tax manually.

The KTBA said use of IT-based technology / digitalisation of records was the only way to resolve the multi-faceted complex issues, including flying / fake input tax. However, sudden implementation of new scheme in the midst of MoU signed by the federation and the provinces to develop one ST return was likely to create chaos and disorder for taxpayers.

KTBA said appropriate measures, including but not limited to extension of date for the tax period of March 2021 was necessary to ease the pressure on taxpayers and KTBA members alike.