

# **IR offices issuing incorrect audit notices to avoid time limitation: KTBA**

KARACHI: The offices of Inland Revenue are issuing incorrect audit notices in order to avoid restriction of time limit as defined in the Income Tax Ordinance, 2001, tax practitioners alleged the tax authorities on Friday.

The Karachi Tax Bar Association (KTBA) in a letter sent to Inland Revenue offices of Federal Board of Revenue (FBR) located in the metropolis strongly criticized the issuance of faulty audit notices for tax year 2015 in order to avoid time restrictions.

The KTBA wrote letters to chief commissioners highlighting the haste of tax offices in issuing notices under section 122(5) of Income Tax Ordinance, 2001 during past two weeks just to comply with the time limit of initiating audit for tax year 2015.

The tax bar shared following ‘reasons and grounds’ advanced by the field formation officers to assume resource of ‘definite information’.

— Not declared any capital hence income declared under Normal Tax Regime (NTR) and Final Tax Regime (FTR) is out of undisclosed sources of capital whereby closing stock is likely to be added as unexplained income.

— Accretion in wealth is more than income declared/claimed under NTR/FTR and cash available in last year is insufficient either; hence difference is likely to be added as unexplained income.

— Personal expenditure bears a difference between income claimed under FTR and NTR and cash available in last year is insufficient either; hence difference is likely to be added as unexplained income.

- Bank deposits and debit entries are huge which do not commensurate to be declared income version and difference is likely to be added as income from other source.
- Foreign remittance claimed in the return needs to be probed for the purpose of compliance of Section 111(4) of the Income Tax Ordinance, 2001.
- Capital gain on sale of securities and immovable properties claimed in the returns needs to be probed in line with Section 37(3A) and 37A of Income Tax Ordinance, 2001.
- Gift (cash or kind) claimed needs to be probed for the purpose of Section 39 (3) of the Income Tax Ordinance, 2001.
- Total liability in wealth has decreased from previous year which since a liability was definitely paid-off from unexplained source of income and liable to be treated as unexplained expenditure in line with Section 111 of Income Tax Ordinance, 2001.
- Interestingly a number of such notices have also been issued where audits for the tax year 2015 have already been concluded.

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.