

FBR field formation 'harassing' taxpayers through notices: KTBA

KARACHI: The field formation of the Federal Board of Revenue (FBR) in Karachi has reportedly started harassing taxpayers through notices, asking to produce tax records for Tax Year (TY) 2015, despite the audits.

The issue was highlighted by the Karachi Tax Bar Association (KTBA) in its letters sent to all the chief commissioners posted in Karachi tax offices, requesting to intervene and avert the field formation for abusing powers for the collection of definite information from taxpayers.

The KTBA stated that during the past two weeks, the taxpayers have started receiving notices (mostly in TY 2015) and termed it as a tactical attempt by the field formation to invoke jurisdiction of "definite information" envisaged in section 122(5) of Income Tax Ordinance, 2001 on weird and fanciful grounds.

While expressing grave concerns, the KTBA said that the field formation had issued notices to the taxpayers on weird reasons and grounds - "not declared any capital hence income declared under NTR and 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 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 Ordinance; capital gain on sale of securities & immovable property claimed in the return needs to be probed in line with section 37(3A) and 37A of the Ordinance, 2001; gift (cash or kind) claimed needs to be probed for the purpose of section 39(3) of the Ordinance and 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."

KTBA said many such notices had also been issued where audits for the Tax Year 2015 were already concluded and added that the field formation had wrongly issued the notices without properly appreciating returns of income tax as well as statements of wealth.

"The notices did not constitute 'definite information' within the meaning of Section 122(8) *ibid*. More such weird notices are expected in the coming days as the time limitation prescribed for initiating proceedings for the TY 2015, leading to a chaotic situation.

Keeping it in view, the KTBA has requested all the chief commissioners to intervene in the situation and avoid the field formation for abusing powers.