

FBR fails to remove return filing glitches; KTBA seeks legal time

A leading tax bar on Friday pointed out failure of the Federal Board of Revenue (FBR) in removing errors/glitches in the return filing as only a week left for the last date.

Karachi Tax Bar Association (KTBA) in its letter to FBR chairman and other higher authorities to resolve issues in online return filing for tax year 2022. “A proper legal time for compliance should be allowed as per the statute after resolving these problems,” KTBA President Syed Rehan Hasan Jafri said in the letter.

It is pertinent to mention that the last date for return filing for tax year 2022 is September 30, 2022. About two days ago the Pakistan Tax Bar Association (PTBA) also pointed out similar issues but the problems are remained unresolved.

Rehah Jafri said that none of the issues had been addressed as yet and, therefore, the pace of compliance of filing the Tax Returns is very slow. The KTBA previously sent communication to the FBR on September 6, 2022.

Through instant letter the KTBA highlighted some issues further, which have been raised and discovered by our Members after our first letter of 06 September, 2022.

Column for Adjustment of Brought Forward Capital Losses

Column for adjustment of brought forward capital losses under the head of capital gains is not available in Income tax return form due to which tax on capital gain cannot be calculated correctly.

Column of Tax Credit for Specified Industrial Undertakings U/S 65G Inadvertently Available in Salaried Individual Return

The Column of tax credit for specified industrial undertakings u/s 65G of the Income Tax Ordinance, 2001 is inadvertently available in the Tax Credits Annexure of income tax return for salaried individuals, which has no correlation with such tax credit.

Non-Availability of Reduced Tax Rate on Contract Receipts

Although the rate of tax on contract receipts under section 153 was reduced from 7.5% to 7% for Tax Year 2022, however, there is no column for such reduced rate in the return for the TY 2022 available on IRIS.

Insufficient Time for Taxpayer Filing Manual Return Forms

The draft of manual return forms for the Individuals and AOPs for the Tax Year 2022 was issued belatedly on August 26, 2022, whereas the final SRO. 1733(1)/2022 was issued on September 13, 2022 meaning thereby only 17 days of time has been allowed to file the manual returns, which is insufficient as provided under the law.

Erroneous Tax Calculation on Gain of Immovable Property

The IRIS portal is calculating incorrect tax liability on gain on sale of immovable properties in violation of section 37(1A) of the Income Tax Ordinance, 2001 which needs to be taken care off as soon as possible.

Incorrect Tax Calculation on Profit on Debt

The IRIS portal is calculating incorrect tax on profit/yield on Bahbood Certificates/ Pensioner's Benefit Account/ Shuhada Family Welfare Account in violation of clause (6) of Part-III, 2nd Schedule of the Income Tax Ordinance, 2001, which provides that tax shall not exceed 10 percent of such Profit/ Yield.

Error in Statement of Foreign Income & Assets u/s. 116A of the Ordinance for Non-Resident Individuals

There lies no option list in drop downs country and currency under Code "7006" having description "Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.)" due to which a taxpayer remains unable to file the Foreign Income & Assets Statement under section 116A(1) of the Ordinance.

Opening Wealth appearing in Wealth Statement

Opening wealth is being shown in "Reconciliation of Net Assets" Value of opening net assets is being shown under code '703002' despite the fact that the taxpayer's residency status is selected as "non-resident" for Tax Year 2022 after which, he should not be required to file the wealth statement including reconciliation of net assets.

Column Code 64330052 (Dividend u/s 150 @25%) is missing in Salary Return Form

The withholding rates on payment of Dividend @ 7.5%, 15% and 25%, (under section 150 of the Ordinance) are appearing in the Income Tax Return Form of “Income for a person deriving income only from salary and other sources and the Column Code 64330052 (Dividend u/s 150 @25%) is missing.

Erroneous Calculation of Written Down Value

Proviso was inserted under section 22(2) of the Tax Ordinance by Finance Act, 2020 whereby depreciation on additions to fixed assets made after 01-Jul-2020 would be reduced by 50% However, when entries related to written down values are entered in in depreciation schedule as opening values, the IRIS is calculating depreciation at 50% on total values.

No column for refund adjustment

In addition to above, what lately has been done by FBR is that it has deleted the column of “Adjustment of Refunds”, which is certainly an afterthought while the Manual Tax Returns, which were issued vide SRO 1612(I)/2022 dated 26 August, 2022 do retain the “Column of Tax Return Refund”. There is no explanation or justification for this glaring disparity, which is to be taken care off the clarification of Taxpayers.

Online Refund Adjustment Column is still not available on Return loaded on IRIS irrespective of the fact that it is available in the SRO issued by Board.

Income attribution with respect to minimum taxation u/s. 153

Profit on debt/interest income on government securities is subject to FTR

Initial depreciation allowance on plant & machinery u/s. 23

Revised Wealth Statement u/s 116(3) is not imported

Simplified Return for SMEs