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Tax bar rejects move to reverse adjusted refunds

ISLAMABAD: In a move to create demands for the bridging the possible shortfalls in revenue collection, the top tax machinery has started reversing adjusted past years' refund of taxpayers, especially of corporate ones, with tax liabilities.

The first city that emerged in the exercise is Karachi where taxpayers have been issued notices by the Federal Board of Revenue (FBR) with clear instructions that their past years' refund adjustments with tax liability are being reversed.

Karachi Tax Bar Association (KTBA) President Rehan Jafri told Dawn that the notices for reversing adjustment of tax refunds with liabilities were being issued in violation of the Income Tax Ordinance 2001. "We have sent a letter to Member Policy FBR to apprise him of this violation," Mr Jafri added.

The notices, according to him, were issued to rectify the earlier assessments of taxpayers. He said the commissioner of income tax has no power to rectify taxpayers' returns.

The KTBA has also highlighted an important issue in this context that needs to be looked into by the tax authorities to avoid any unwarranted potential litigation. "This is in the wake of several complaints from our members that notices issued from the field offices are without lawful jurisdiction," Mr Jafri further said.

The tax bar believes that the current exercise is without the due sanction of law and against the reported judgments of superior courts.

"We at the Karachi Tax Bar earnestly hope that the FBR will urgently look into the matter factually and judicially to get these notices vacated by the field officers, which in our opinion is certainly creating unnecessary agony and distress to the taxpayers of the country", the tax bar president said.

According to the letter, the legal position that provisions of section 221 of the ordinance empowers a commissioner to amend any order passed by him.

The issue of adjustment of previous years refund, however, does not come within the ambit or scope of rectification of mistake as provided for under section 221 of the ordinance.