

KTBA highlights issues in implementing digital payments

KARACHI: Tax practitioners have said that implementing digital payments mode for corporate entities is not possible due to various difficulties.

Karachi Tax Bar Association (KTBA) in a letter sent on Monday to the Muhammad Ashfaq Ahmed, Chairman, Federal Board of Revenue (FBR), informed that a provision of digital payment was introduced through Tax Laws (Third Amendment) Ordinance, 2021. This provisions is scheduled to implement from November 01, 2021.

Muhammad Zeeshan Merchant, President, KTBA said that the condition is remarkably in contradiction with other modes of payment through banking channels, which is historically remained in practice and is widely accepted under the provisions of the Income Tax Ordinance, 2001.

“We feel that this provision of law is antibusiness; sans due diligence and is incorporated without taking the stakeholders into confidence,” he said.

Additionally, it is not practical for many business houses, he added.

A summary explaining certain situations (and by no means a complete synopsis) is given below:

(a) You will appreciate that it is normal business practice that in lieu of advance delivery of goods, the buyer tenders its payment by way of post-dated cheques, which is normally accepted by the other party and is inherently a secured way of making the payment. We are afraid that this law of “digital mode of payment” is surely going to hamper the business activities, as it does not cater the situation and solution of such transactions.

(b) Normally, it is a practice that, the port terminal charges, wharfage charges, charges for clearance of delivery orders etc., are paid in advance through crossed cheques or pay-orders. We understand that presently, the businesses, including but not limited to Port Terminal Operators and Shipping Lines, are unaware and are not ready for implantation of this “digital mode of payment”. In our view, it needs a rigorous awareness campaign for them.

(c) Furthermore, we feel that the similar issues are likely to arise and are to be faced by the Companies for making payments to the growers of various agricultural crops such as sugar cane, rice, cotton, wheat etc. We feel that a rigorous campaign is also required for the recipients of such payments.

(d) Moreover, in our view this “digital mode of payment” is also impractical and is likely to affect the business transactions in the cases where petty cash payments, in aggregate exceed millions of rupees, which cannot be made digitally.

(e) Furthermore, we understand that various banks have fixed their own limitation on the quantity of making digital/online payments in a day and have also fixed the threshold of the amount and they do not allow to exceed the threshold limit fixed by them. In our view, this also needs a proper campaign without which the implementation of the law is not possible.

The KTBA said that the tax authorities would come across with the other impediments on the subject in times to come.

We strongly believe that, unless there is a wide off the mark in conventional banking transaction, this move is likely to create lots of trouble for the Corporate Sector.

It is, therefore, suggested that the mandatory condition of “digital mode of payment” for Companies as envisaged U/s. 21 (1a) of the Income Tax Ordinance, 2001, be allowed to run simultaneously with other conventional modes of payments for at least a year so that their business is not affected and is smoothly run till they are aware of this change in the mode of payment.