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KTBA urges for resolving IRIS portal issues

KARACHI: The taxpayers and the legal fraternity are perturbed with the inactive column for refund adjustment, raising discontentment and resentment toward the Federal Board of Revenue (FBR), an official said.

The Karachi Tax Bar Association (KTBA) President Syed Rehan Hasan Jafri, in a letter to FBR Chairman Asim Ahmad said that despite consecutive correspondences with the FBR in the last two months with regard to the disapproval of adjustment of tax refunds, the taxpayers are distressed with the lethargy in the system.

The FBR needs to understand that not paying refunds to the taxpayer is essentially the same as not paying the taxes to the FBR, he said, adding that the FBR has all the possible powers to recover what is due to it, while on the other hand the taxpayer is left completely hapless and helpless if the FBR chooses not to payback its refunds.

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Jafri urged the FBR chairman to pay heed to the issue as any failure to do so and failure to bring the desired and necessary changes in IRIS will drag the issue closer to snatching of a fundamental right from the taxpayer.

He highlighted the behavior of the IRIS web portal that is presently computing and attributing income associated to provisions of Section 153 on certain predefined and programmed formula, which results in unwarranted higher taxation on the same income of the same taxpayer.

The taxpayers should be allowed to compute and attribute their incomes based on facts of their cases instead of prefixed tabs of the system, while relevant fields for entering the figures should be kept unmanned and opened for taxpayers, he said.

The issue of incorrect calculation of Initial depreciation allowance at the rate of 25 per cent in IRIS is another issue. Initial depreciation allowance is allowed on purchase of Plant and Machinery at the rate of 25 per cent.

The IRIS on web portal is presently not catering this scenario in line with law resulting in an incorrect computation of tax depreciation.

The erroneous calculation of Written Down Value of Assets remains unresolved. A “proviso” was inserted under section 22(2) of the Ordinance by the Finance Act, 2020 whereby depreciation on additions to fixed assets made after July 1, 2020 would be reduced by 50 per cent.

However, when entries related to written down values are entered in the depreciation schedule as opening values, the IRIS is calculating depreciation at 50 per cent on total values, the KTBA president noted.

He also noted the unavailability of the Column for adjustment of brought forward capital losses on listed securities under the head of capital gains in Income tax return form, due to which tax on capital gain cannot be calculated correctly under Section-37A of the Ordinance.

A simplified scheme for manufacturing Small and Medium Enterprises (SMEs) with turnover up to Rs250 million was introduced. However, in patent disregard of Section 237 that no draft return for this purpose has ever been notified as required under sub-section (2) of section 100E of the Ordinance.

This can potentially lead to illegality. Therefore, it is advisable to do away with this legal lacuna and issue draft forms first to meet with the requirement of law.

A “new set of requirement” has been ventured in the IRIS and become a bigger concern in context of Section 7E i.e., the new 7E Annexure.

“This annexure has lately been introduced in IRIS on October 13, 2022. We at the KTBA hold a considered view that it is unnecessarily a detailed format for a taxpayer or his adviser to fill and that too in these last days of tax returns filing,” the KTBA president said.

The new annexure contains all the possible and imaginable categories of properties one could have including agricultural, commercial, industrial, residential and educational property among others.

He showed dismay over the fact that most of these categories are not only unheard of in the domestic culture or tax laws of the country but these are not even owned by an individual in the first place.