



September 29, 2021

KTBA approaches PM for extension in returns filing date

KARACHI: Tax practitioners have approached Prime Minister Imran Khan, seeking extension in the last date to file income tax returns, as the taxpayers were facing a host of problems in filing the same on time.

The Karachi Tax Bar Association (KTBA), in a letter sent to the prime minister on Tuesday, took a harsh stance against the Federal Board of Revenue (FBR) for forcefully enforcing the tax returns filing without removing the technical glitches on the IRIS portal.

Muhammad Zeeshan Merchant, president of the KTBA urged the prime minister to direct the revenue board for resolution of all the issues related to returns filing and also direct it for extending the date at least for further three months, i.e., December 31, 2021.

Previously, the KTBA had sent a letter to FBR chairman Dr Muhammad Ashfaq Ahmed on September 21, 2021, highlighting the technical errors on the portal, which was hampering the returns filing.

The tax bar association in its letter to the prime minister highlighted that through the Finance Act, 2019, amendments were made in the Income Tax Ordinance, 2001 (Ordinance), wherein a paradigm shift in the Final Tax Regime (FTR) of sections 148, 153, 233 and others were taken and certain specified class of persons / income were shifted to the Normal Tax Regime (NTR) in haste with the tax deducted under these sections to be the minimum tax; albeit the ordinance do not endorse the later.

The first return of income under the conceived NTR (with tax deducted as minimum tax) was rolled out for the tax year 2020 with countless conceptual and calculation mistakes, pre-fixed attributes and formulae.

The KTBA in its letter dated December 2, 2020, addressed to the then FBR chairman had highlighted those glitches and anomalies in the returns. However, those were not resolved and the taxpayers were coerced to file their tax declarations on flawed methodology.

This time for the tax year 2021, the return form was notified by the FBR on July 1, 2021 for the sake of fiscal discipline but without resolving the prior discrepancies.

The timelines prescribed under Rule 34A of the Income Tax Rules, 2002, were blatantly violated. This year, the FBR has issued the returns forms in piecemeal as the manual return of income was notified on August 27, 2021 and simplified return of income under section 100E for manufacturing SMEs was uploaded (without a draft and a final notification) after August 10, 2021 and that too without following the procedure prescribed under the law.

The prime minister has been informed that under no circumstances, the FBR can compel a taxpayer to file a return of income that contains certain set attributes, which are not only flawed but are not in accordance with the law and are illegal, as well.

The pre-defined attributes are directly in conflict with the self-assessment scheme presently applicable under the ordinance, it said.

The KTBA in its letter dated September 21, 2021, addressed to the FBR chairman, had again expressed its strong reservations and highlighted several computational errors in the returns. It is; however, yet to grab the attention of the relevant officials, whereas the closing date for returns filing is round the corner.

The tax litigation historically has remained an arduous issue for the FBR to tackle with and consistent defiance of the law on the part of the revenue board does not tend to serve any purpose but would only add up to the already piling up tax litigations.

The KTBA pointed towards a recently decided tax litigation by the Lahore High Court dated September 24, 2021, where the FBR representatives had admitted the computational errors in the return of income pertaining to section 153 of the ordinance (cases of FTR to NTR with its tax already deducted as minimum tax) and requested the petitioner to explain his case on September 27, 2021 at the FBR House, Islamabad.

The Lahore High Court has directed the revenue board to not only review and remove the legal inconsistencies and computational errors from the return promptly before notifying it as a lawful document but also directed: “In case of hardships, [the] petitioner and similarly placed persons shall also be accommodated accordingly.”

The KTBA president said 90 days’ time provided under the law to file returns under section 118 of the ordinance should only start when a flawless and error-free return in line with the provisions of the ordinance is uploaded on IRIS, which per-se is yet to be notified let-alone it is habitual at the FBR to amend and modify the return till last moment without notifying the same to the stakeholders, which creates bad impression on the part of the FBR.

Nonetheless, it is a grim reality that the FBR Portal, both e-FBR and IRIS remained hacked and disabled from August 14, 2021 and it was intermittently not working properly

till the end of the August 2021 that again denied taxpayers 90 days' seamless time prescribed under the law to file the return.

The KTBA requested the prime minister to direct the FBR to value the law and rules in their occupational pursuits; all pre-fixed attributes, formulae and computational errors in the return should be removed and finally all the taxpayers are accorded due time and opportunity as also directed by the Lahore High Court.

The tax bar complained the FBR is time and again informing the taxpayers that the present last date of filing of the returns will not be extended beyond September 30, 2021.

In this connection, the KTBA feels its responsibility that the taxpayers are not at all in a position to meet the deadline of returns filing by September 30, 2021 till such time all the flaws and formulae errors are removed.

“As such we are hopeful that you will kindly instruct the FBR chairman to extend the date to file the return of income at least up to December 31, 2021 and oblige,” the KTBA said.