

## **KTBA not happy as FBR issues audit notices to taxpayers**

KARACHI: Federal Board of Revenue (FBR) has started issuing audit notices under section 177 of the Income Tax Ordinance 2001 to overcome the ever-increasing revenue shortfall of around Rs. 245 billion till the end of the first half of the current fiscal year.

Raising disenchantment over the issuance of audit notices under section 177 of the Income Tax Ordinance 2001, the Karachi Tax Bar Association (KTBA) has termed it as unwarranted notices, saying that an unnecessary practice being undertaken whereby audit notices are being issued to overcome the ever-increasing revenue shortfall of around Rs. 245 billion, despite the legal position that income tax audit cannot be carried out if it has already been carried out in the last four years.

### **KTBA says IT return form needs corrections**

The provisions are contained under clause 105A, Part-IV, Second Schedule of the Ordinance, wherein the taxpayer has been made eligible to claim exemption from Income Tax Audit both under Sections 177 and 214C of the Ordinance.

Furthermore, the Bar is of the view that Clause 105A, Part-IV, Second Schedule to the Ordinance was inserted through the latest Finance Act, 2022 and provides for restriction on frequent audit proceedings undertaken by the department.

The KTBA said that those field formations where the Commissioner Audit did not subscribe to under clause 105A gave a rationale that the audit carried out under Section 214E is not covered under clause 105A of the Ordinance.

However, section 214E of the Ordinance, which was inserted through the Finance Supplementary (Amendment) Act, 2018 provided two distinct mechanisms for the closure of audit selected under the deleted section 214D of the Ordinance, which provided for compulsory Income Tax Audit in the event of, among other reasons, late filing of tax returns, KTBA added.

Reverting to Clause 105A makes no difference between closure/ conclusion of audit under any section of the Ordinance and provides an exemption to anyone whose case has already been audited in the last four (4) years, it said.

KTBA requested the chairman FBR to provide a direction to the field formations that since every taxpayer is eligible to claim an exclusion from the purview of Section 177 and 214C in term of clause 105A, Part-IV, Second Schedule to the Ordinance, once its income tax audit of the previous year has been concluded under any provisions of the Ordinance including the provisions covered under the second scheme of section 214E of the Ordinance, no income tax audit can be undertaken in the next four years.