

Ref : KTBA/02.2025/030

Date : February 13, 2025

Dr. Hamid Ateeq Sarwar,
Member (Inland Revenue - Operations),
Federal Board of Revenue,
FBR House, Constitution Avenue G-5,
Islamabad.

Dear Hamid Sahib, AOA

WITHDRAWAL OF NOTICES to EMPLOYEES SECTION 162 OF THE INCOME TAX ORDINANCE, 2001

We would like to bring to your notice that show cause notices have been issued to Salaried Individuals lately, under Section 162 of the Ordinance in hundreds of numbers, alleging they have claimed credits for income tax deductions in their income tax returns, higher than what has actually been deducted and deposited.

2- These notices, apparently, are being issued in cases where the tax officers are either unable to verify the same under IRIS MIS or are unable to recover the amount of withheld tax, from the withholding agents, which in this case, is the employer.

3- It is crucial to understand that employees file their Salary Tax return strictly and solely on the basis of Salary Certificate issued by their companies/employers, under rule 41 of the Income Tax Rules, 2002, after the year end and thereby completely rely on the same. Therefore, any deficiency or short payment or unverifiable tax payment can be questioned and recovered from the withholding agent alone, not from an individual employee.

Illegality:

4- These notices, therefore, are without any bona fide jurisdiction as Section 162 of the Ordinance, under which these notices have been issued, legally speaking, empowers a tax officer to issue notices to tax withholders (i.e. employees in this case) only if their employers has not collected or deducted income tax from salaries, under Section 149 of the Ordinance, which isn't the case.

5- Income Tax has duly been withheld by companies/employers and that is how the Salary Certificate has been prepared and given to employees with CPR details. Provisions of Section 162 of the Ordinance are triggered only when the primary responsibility of collection or deduction of income tax is not fulfilled by the withholding agent, which, it is reiterated, is not the case.

6- It would not be out of place to refer to the plight of salaried taxpayers burdened with the highest tax rate in the country on their gross receipts, without any deduction or tax exemption. The issuance of these illegal notices, therefore, brings only distress.

Action Desired:

Considering the above, it is requested that necessary instructions be issued to the field formations in Karachi for the immediate withdrawal of these unwarranted notices issued to employees and act as per the law. We look forward to the legal and administrative redressal of the issue.

Yours truly,


(Ali A. Rahim)

President

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Copy to:

- i. **Mr. Rashid Mahmood Langrial**, Chairman, FBR, Islamabad.
- ii. **Dr. Najeeb Ahmad**, Member (Inland Revenue - Policy), FBR, Islamabad.
- iii. **Press Media**