1HFY23: NON-TAX REVENUE COLLECTION OF GOVT STANDS AT RS896.434BN

ISLAMABAD: Non-tax revenue collection of federal government stood at Rs 896.434 billion during the first six months of the ongoing fiscal year – 44 percent of the total Rs 1999.89 budgeted. This was surprisingly on the back of Rs 371.186 billion surplus profit of the State Bank of Pakistan (SBP) even though budget estimates were cited at only Rs 300 billion for the entire year.

According to Finance Ministry's fiscal operation, total non-tax revenue collection was recorded at Rs 967.094 billion with federal collection of Rs 896.434 billion and provincial Rs 70.6 billion.

Petroleum levy (PL) collection was reported at Rs 177.805 billion during the first six months of the current fiscal year (July-December 2022-23). The data showed that mark-up (PSEs & others) stood at Rs 77.623 billion and dividend Rs 40.812 billion during July-December 2022-23.

Pakistan Telecommunication Authority (PTA) and others profit was recorded at Rs 32.582 billion and defence receipts were estimated at Rs 9.261 billion. Passport fee collection stood at Rs 16.424 billion during the period under review and discount retained on crude oil was Rs 10.838 billion whereas royalties on oil and gas was reported at Rs56.675 billion.

Windfall levy against crude oil was Rs 14.840 billion during the first six months of the current fiscal year. The data further reveals that petroleum levy collection on liquefied petroleum gas (LPG) stood at Rs3.232 billion, Gas Infrastructure Development Cess (GIDC) Rs 6.022 billion and natural gas development surcharge collection was Rs 10.838 billion. Non tax revenue collection on other accounts stood at Rs 68.296 billion.

FBR TO ISSUE LEGAL CLARIFICATION ABOUT SCOPE OF BUILDERS & DEVELOPERS: FTO ISSUED INSTRUCTIONS

ISLAMABAD: The Federal Board of Revenue (FBR) will issue a legal clarification whether contractors involved in public sector construction can be clubbed with private sectors Builders & Developers for assessment of taxes.

In this regard, **Federal Tax Ombudsman (FTO) Friday issued instructions** to the FBR to issue a clarification about the scope of builders and developers. Through an order issued on Friday, the FTO has legally declared that cases of builders/developers have been transferred to specialized zones as a special class of persons. "The act of the Board to transfer cases as class of persons is not illegal and within the ambit of the powers conferred by the Income Tax Ordinance, 2001. However, it is also evident that the transfer of case from Quetta to Karachi has caused severe hardship to the taxpayer and it is his genuine right to be taxed in the jurisdiction by facilitating him at the doorstep where the business is located and is being done," FTO order added.

The taxpayers are engaged in the business of Builders/Developers and the Federal Board of Revenue vide its Notification transferred the jurisdiction of the tax payers as a class of persons who are engaged in the business of Builders/Developers from RTO, Quetta to Medium Tax Payers office (MTO) Karachi.

According to an order of the Federal Tax Ombudsman (FTO) issued on Friday, whether contractors involved in public sector construction can be clubbed with private sectors builders & developers is yet another area which needs FBR's deliberations. In any case, no discriminatory treatment with any individual or a class of persons is desirable.

The allegation that some of the similar cases have reportedly been transferred back to RTQ Quetta also necessitates probe by the concerned authorities at FBR HQs. Some of the identical cases relating to KP and Balochistan are currently pending at superior judicial fora. Uniform treatment of all identical cases is the only solution of this issue.

FTO has directed the FBR to reprimand the concerned officers of RTO, Quetta and MTO, Karachi for not attending the hearing. In this complaint, FBR needs to take a pragmatic view. IR Policy wing FBR to decide the issue of jurisdiction in line with other identical cases and in the light of orders by the superior judiciary; (ii) review individual facts of the instant case, so as to reach at a legal and equitable decision/conclusion, FTO order added.

FBR'S INLAND REVENUE OFFICE MAKES RECOVERY DESPITE STAY ORDER

ISLAMABAD: An office of Inland Revenue of the Federal Board of Revenue (FBR) has disrespected the legal order by making tax recovery from a bank account of a taxpayer despite a stay order was granted to avoid harsh measure.

In this unique case, a taxpayer filed a complaint before the Federal Tax Ombudsman (FTO). The taxpayer alleged that ex-parte order was passed on October 27, 2021 by the officer of Unit-I, Jhelum Zone, Regional Tax Office (RTO) Rawalpindi pertaining to tax year 2019, whereby, illegal demand contrary to facts was created amounting to Rs8.17 million. Aggrieved with the said order, appeal was filed on January 24, 2023 before commissioner Inland Revenue (Appeals-III) along with application for grant of stay against recovery of income tax demand of Rs8.17 million.

The complainant stated: "the commissioner appeals Rawalpindi fixed the case for January 24, 2023 and granted stay order against the recovery of disputed tax demand."

The taxpayer further stated that on the same day i.e. January 24, 2023 the stay order was shared with the department and concerned bank manager. However, the department on the same date arrived at bank around 3:45PM to get pay order from the bank manager amounting Rs8.17 million.

Furthermore, recover officer received the Pay Order dated January 24, 2023 for the said amount despite stay order with commitment / assurance to the banker that the pay order shall not be deposited in the bank for clearance if the copy of stay order is provided before 5:00 PM in the tax office.

Earlier, the same order was delivered to the department, the recovery officer. Despite commitment and valid stay order, the department presented the pay order in the National Bank for clearance. However, the pay order was not cleared by the Faysal Bank and returned the same on January 25, 2023 issued by the CIR Appeals.

The tax office, however, responded to the FTO that the attachment of bank account of the complainant had been made on January 23, 2023 under Section 140 of the Income Tax Ordinance, 2001, and at that time, the complainant had neither filed appeal nor any stay was available in field against the recovery of the outstanding demand, and as such departmental action was lawfully justified.

It is further stated that under the law, the bank manager was lawfully bound to issue the pay order in favor of the department and effect recovery forthwith by clearing the same for diverting the required amount into the government exchequer. Moreover, the complainant had admittedly filed appeal before the CIR (Appeals-III) Islamabad on January 24, 2023 and as such the instant matter is subjudice at the point of time before the competent legal forum, thus the FTO is barred to hear the instant complaint.

The FTO in his finding observed that making recover through coercive measure disrespecting legal order of the appellate authority on the part of department is contrary to law and is arbitrary, unjust and unreasonable which constitutes maladministration. The FTO asked the FBR to direct commissioner-IR concerned to comply with stay order issued by the CIR (Appeals-III).

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25PC ST ON LUXURY GOODS' IMPORT AWAITS CABINET'S NOD

ISLAMABAD: Federal Cabinet has yet not approved 25 percent sales tax on the import of hundreds of luxury items and the Federal Board of Revenue (FBR) has not issued any notification till Friday late night. Sources told *Business Recorder* here on Friday that the draft notification is ready, but the FBR will issue the notification after approval of the cabinet through circulation. "As no approval has been received; therefore, no notification is issued till now.

The FBR has moved a summary to the federal cabinet for imposing a higher rate of 25 percent sales tax on the import of a wide range of luxury and non-essential items.

The FBR has obtained the enabling powers of the federal government under the Finance (Supplementary) Act, 2023, to levy 25 percent sales tax on the import of luxury items.

The FBR is now fully empowered to impose 25 percent sales tax at the import stage but the approval needs to be taken from the federal cabinet in this regard. Sources dispelled the impression that the federal cabinet has given any approval of the notification on Friday. Therefore so far no such notification has been issued. The situation would be clear on Saturday (today).

FBR IMPOSES SALES TAX ON IMPORT OF PRINTED MATERIALS

ISLAMABAD: The Customs Classification Committee of the Federal Board of Revenue (FBR) has imposed sales tax on the import of printed brochures, pamphlets and leaflets, literary works, textbooks, telephone directories, yellow pages and technical publications etc. In this regard, the classification committee issued a ruling on Friday.

The Classification Committee observed that the issue primarily and mainly related to the exemption of sales tax in terms of SNo32 of the Table-1 of the Sixth Schedule to the Sales Tax Act, 1990. The ruling revealed that the Collectorate of Customs, Islamabad forwarded a reference for classification of “printed matter/documents, personal letters/certificates/forms/degrees/theses of student, etc”.

Brief facts of the case as reported by the referring Collectorate are that Audit Authorities vide DP-3331 for the period 2014-15 observed that M/s DHL Pakistan (Pvt) Limited imported consignments of “other printed materials” through their courier companies and got cleared the same under PCT heading 4911.9900 without payment of sales tax, availing exemption of SNo32 of the Sixth Schedule to the Sales Tax Act, 1990. On the other hand, the goods were classifiable under PCT heading 4901.9990, attracting 10 percent customs duty with no exemption of sales tax. In the light of draft paras, demand notices were issued and thereafter, cases were adjudicated in favour of the department. The importer being aggrieved filed an appeal before the Customs Appellate Tribunal, Islamabad.

The Customs Appellate Tribunal, Islamabad directed the collectorate to refer the matter to Classification Centre for seeking guidance whether the subject items fall under PCT heading 4901 or 4911.

Accordingly, this reference was forwarded to Classification Centre. Several hearings in the case were held and lastly on 17.02.2023. The meetings were attended by representatives of Collectorate of Customs, Islamabad and members of the Classification Committee. The departmental representative reiterated the stance of the Collectorate/audit authorities that the under-reference subject goods were correctly classified under PCT heading 4901.9990. On the other side, the representatives of the importer contended that their declared PCT heading was correct as the same covered printed matters, in terms of (GIR Rule 3).

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