

## USAID HANDS OVER ‘ENTERPRISE RESOURCE PLANNING’ TO KPRA

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**RECORDER REPORT**  
PESHAWAR: USAID funded Khyber Pakhtunkhwa Revenue Mobilization (KPRM) activity handed over Enterprise Resource Planning (ERP) to Khyber Pakhtunkhwa Revenue Authority (KPRA).

A handing and taking over ceremony was held at the KPRA headquarters in which the Director General KPRA Raja Fazal Khaliq

and KPRM Representative Amir Hadi signed the documents for the handing and taking over of the ERP. KPRA has identified a total 13 modules for its ERP out of which 5 modules have been completed and deployed on KPRA Data Center. The ERP is being developed with the financial and technical support of KPRM. The remaining 8 modules will be developed

in the later phases. Presently, Finance, HR and Payroll, Court Cases Management, Notice Management and File Movement System have been completed and deployed. ERP is one of the steps taken by KPRA towards digital transformation.

The Director General KPRA thanked USAID KPRM for assisting KPRA

in different fields including its capacity building and digital transformation.

He appreciated the efforts of KPRA and desired that USAID will continue its financial and technical support with the KPRA to enable it to completely switch its functions to information technology which will bring further transparency, efficiency and ease in its working.

R 6-3-2023

## JUL-FEB: FBR COLLECTION SHOWS RS240BN SHORTFALL

ISLAMABAD: The Federal Board of Revenue (FBR) has provisionally collected Rs4,493 billion in the first eight months of the current fiscal year against the assigned target of Rs4,733 billion for July-Feb (2022-23), reflecting a shortfall of Rs240 billion. After the imposition of taxes of Rs 170 billion in mini-budget, the new annual tax target of the FBR has been fixed at Rs7.640 trillion. The FBR was required to adjust its monthly target for the remaining period of Feb-June (2022-23), but the Feb target was based on old projection of Rs 7.47 trillion. If the additional taxes of Rs 170 billion have been added to annual target of Rs 7.47 trillion, the overall shortfall would further increase to Rs 410 billion in the remaining period of 2022-23, sources said.

According to provisional figures, FBR collected Rs527.3 billion in February 2023 against the target of Rs527 billion, reflecting an increase of Rs 0.3 billion.

The FBR has collected Rs4,493 billion during July-Feb (2022-23) against Rs3,820 billion collected in the same period of 2021-22, showing a growth of 18 percent. As per the provisional data, direct tax collection showed an increase of 47 percent during the first eight months of the current financial year. The contribution of domestic taxes has increased from 49.4 percent last year to 58.7 percent during the current year. The collection from customs duty has shown an increase of 2 percent during February 2023 compared to the same month last year.

R 5-3-2023

## ‘ANOMALY’ IN FBR’S IRIS SYSTEM PERTURBS TAXPAYERS

ISLAMABAD: There is some legal/ technical anomaly in the Federal Board of Revenue’s (FBR) “IRIS” system where notices are not visible to the taxpayers in their IRIS system, but the department’s system is showing/ confirming issuance of such notices.

Tax experts told *Business Recorder* that frequent instances are surfacing wherein the “IRIS” of the taxpayer does not reflect the notices issued to the taxpayer but the “IRIS” of the Department is reflecting the issuance of the same. Resultantly, the taxpayers are not getting the opportunity of being heard in person or file replies online. Due to the ignorance of taxpayers about serving of such notices, adverse assessment orders are passed by the officers by incorrectly observing that compliance of the notice has not been made.

A tax adviser shared that a recent instance of such anomaly surfaced during the hearing of the appeal before Commissioner Inland Revenue (Appeals), Lahore in the case of a taxpayer having NTN: 0453485-9. The Counsel of the taxpayer argued that an addition under section 111 (un-explained income and assets) of the Income Tax Ordinance 2001 has been made without issuing/ serving separate notice under section 111 of the Income Tax Ordinance, 2001.

A copy of a printout of the IRIS data was provided in support of contention where no such notice was appearing. However, when the Commissioner Inland Revenue (Appeals) logged into the IRIS data of the Department the same was showing issuance of separate notice under section 111.

Responding to this, the counsel provided the login details of the taxpayer's IRIS account to ascertain the anomaly. The CIR (Appeals) observed that many taxpayers are taking the plea of non-issuance/ service of notices online but when the official IRIS is checked the notices are appearing. When contacted, Shahid Jami, a Lahore-based lawyer explained that through the Finance Act, 2020 legal backing to the IRIS was given by inserting its definition in section 2 of the Income Tax Ordinance which means a web-based computer program for operation and management of Inland Revenue and the laws administered by the Board.

Prior to this legal backing, clause (d) was inserted in section 218(1) and 218(2) of the Ordinance through Finance Act, 2018 pertaining to the service of notices and other documents, and the new clause provided that notices and other documents can be served electronically in the prescribed manner.

After the aforesaid amendments, the assessing officers are issuing notices on the IRIS only as the issuance on the IRIS is treated as service as envisaged under Rule 74 of the Income Tax Rules though the electronic service was envisaged as an additional mode of service to the basic mode of service of personal service or service through registered post or courier. Jami pointed out that the anomaly at the IRIS is a very serious issue and is a bad reflection of the administration by the Board. He observed that usually the contention of the taxpayer that no notice was served through the IRIS or otherwise is viewed as a lame excuse though now it has been clearly established beyond any shadow of a doubt that the IRIS of the Department and IRIS of the taxpayer as far as notices are concerned is at variance. He urged that the anomaly should be investigated and appropriate remedial measures are taken by the PRAL to rectify the same and meanwhile, directions are issued to the field formations that any contention of the taxpayer regarding non-service through electronic means should not be brushed aside, the tax expert added.

R 6-3-2023

## **FIRMS URGED BY CCIT-CTO TO IMPROVE THEIR ACCOUNTING SYSTEM**

**KARACHI:** Chief Commissioner of Income Tax, Corporate Tax Office Karachi Dr. Najeeb Ahmed Memon has said that companies should improve their accounting system; if they take advantage of the facility of online cloud, taxation will also get easier. He said they have not issued any new notices in last 3 months. They are improving audits, besides taking notice of complaints and harassment of business community. He expressed these views at a meeting of Korangi Association of Trade and Industry (KATI). He said that his doors are always open for industrialists including those of KATI. "If there is any problem, they should report to me or my commissioners, immediately." He said that the biggest problem for us is the invoices for fake units. The business community should avoid using invoices for such fake units. Do not trade with suppliers you do not know or who are from an unrelated region.

Dr Najeeb Ahmed Memon said that he wants to improve the tax system. Associations and other trade organizations should special attention to research and development, he said. KATI President Faraz-ur-Rehman said that the government continues to increase burden on taxpayers. Notices are issued and used to harass the taxpayer.

People are already under the burden of indirect taxes, but the government is just imposing more burdens on the business community, which is destroying the business. He said no steps are being taken by the FBR to widen the tax net. Corruption has increased by trapping industrialists and businessmen in the audit cycle.

President KATI said that refund payments are delayed, and it takes months for exporters to get their money back, which leads to capital shortages. He said that KATI is ready for all possible cooperation if the FBR provides facilities to the business community. He emphasized that the system should be made simple and easy so that businesses are not affected.

Deputy Patron-in-Chief Zubair Chhaya said that there is a double system of taxation in the country. The facilities available to tax evaders are differentiating between filers and non-filers. He said that the FBR targets only the existing taxpayer to achieve its revenue target. He said 10-12 notices are received in a year, adding if a businessman is busy with audits all the time when will they do his business?

Former President Tariq Malik, chairman of the Standing Committee, said that Pakistan's tax-to-GDP ratio of 9.2 percent is extremely low, compared to 28 percent in developed countries. Taxes are not implemented in most sectors of our country, so achieving the tax target is impossible. He said that with the help of NADRA widening the tax net is possible. The government should improve the tax system through consultation.

Former President Masood Naqi said that the textile sector is on the verge of collapse, and the cost of production is unbearable, but the government has imposed a super tax. He said that many taxpayers now prefer to close the business. Investors are shying away from investing in the country in these difficult situations when the interest rate is skyrocketing. FBR needs to introduce a better tax system.

R 4-3-2023

## **WITHHOLDING TAX ADJUSTMENT BY CNG STATIONS - FBR CIRCULAR CAN'T BE APPLIED RETROSPECTIVELY: FTO**

ISLAMABAD: The Federal Tax Ombudsman (FTO) has declared that the Federal Board of Revenue's (FBR's) circular on adjustment of withholding tax by the CNG stations cannot be applied on refund applications filed retrospectively.

The complaints were filed under Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) against delay in issuance of aggregate refund amounting to Rs1.906 million for tax years 2015 to 2019. As all the complaints relate to common issue, i.e., non-issuance of refunds, so same were decided through single consolidated order.

According to an order of the FTO, the FTO has declared that the Circular No 2017 dated 06.09.2017 cannot be applied retrospectively; hence, the said provisions of circular are not applicable for tax years 2015 to 2017. Inordinate delay in disposal of refund applications for tax year 2015 to 2017 in the garb of circular No 2017 dated 06.09.2017 and rest of the refund applications, i.e., for tax years 2018 and 2019 as per provisions of Section 234A and 235 of the Ordinance and not following the uniform policy for CNG Stations as mentioned supra is tantamount to maladministration in terms of Section 2(3) (ii) of the FTO Ordinance.

Accordingly, the FBR through letter No. 4(19) IT-Budget/2017 dated 23.02.2017 issued a clarification regarding refund claims by CNG Stations. The Board has clarified that in case of CNG Stations, advance tax collected or deducted in terms of Section 234A constituted final tax and "a CNG Station is not entitled to claim adjustment of withholding tax collected or deducted under any other head/ provision of this Ordinance even in instances where tax collected/ deducted under any other head is in excess of the final tax liability discharged by the taxpayer under section 234A of the Ordinance".

The FTO has directed the FBR that the Commissioner-IR, Gujrat Zone, RTO Sialkot to dispose of Complainant's refund applications for tax years 2015 to 2019 respectively, as per law. The department stated that the FBR vide Circular No.2017 dated 06.09.2017 has clarified that tax deduction under all the head including tax deducted under Section 235 of the Ordinance constitutes full and final tax liability in case of CNG Stations.

R 5-3-2023

## **FBR UPDATES ACTIVE TAXPAYERS LIST UP TO MARCH 05, ADDS MORE RETURN FILERS**

ISLAMABAD: Federal Board of Revenue (FBR) on Monday issued updated Active Taxpayers List (ATL) for tax year 2022 including the names of those taxpayers who filed their income tax returns up to March 05, 2023.

The FBR issued the new ATL for tax year 2022 on March 01, 2023. This was the first weekly updated ATL issued on March 06, 2023 by adding the names of persons, who filed returns up to March 05, 2023 for the tax year 2022. The number of active taxpayers in the new list issued on March 01 was 3.21 million. However, the number has been increased to 3.26 million in the updated ATL.

According to the new ATL the FBR included the names of 3.21 million taxpayers, who filed their income tax returns by due date or after due date till March 05, 2023 but with payment of surcharge. In the previous ATL for tax year 2021 the FBR received 4.19 million taxpayers, who filed their returns till February 26, 2023.

The last date for filing income tax return is September 30 for taxpayers including salaried persons, business individuals, association of persons and companies having special year. However, for the companies having normal accounting year are required to file their annual return by December 31. For the tax year 2022 the last date was extended repeatedly and finally it was concluded by December 15, 2022. Therefore, all those who had filed their return by December 15, 2022 are eligible for the ATL. Meanwhile, those are also eligible, who filed after the due date but have paid the surcharge.

According to FBR officials, taxpayers who had failed to file income tax return for tax year 2022 would not able to avail benefit of reduced rates of withholding tax from March 01, 2023. According to the FBR, the ATL is a central record of online Income Tax Return filers for the previous tax year. It further said ATL is published every financial year on March 01 and is valid up to the last day of February of the next financial year.

For example, Active Taxpayer List for Tax year 2020 was published on March 01, 2021 and will be valid till February 28, 2022. Similarly, Active Taxpayer List for Tax year 2021 will be published on March 01, 2022 and will be valid till February 28, 2023.

The FBR said that a person's name will be part of the current ATL, if the Tax Return filed pertains to the Tax year of the relevant ATL. For example, to be part of the ATL published on March 01, 2021, a person must have filed a Tax return for the Tax year 2020. Similarly, to be a part of the ATL published on March 01, 2022, a person must have filed a Tax Return for the Tax year 2021.

Restriction on including a person's name on ATL, if the person has not filed Tax Return by the due date specified by Income Tax authorities was introduced through Finance Act, 2018. For example, to be part of the ATL published on 1st March 2022, a person must file a Tax Return by the specified due date for the Tax year 2021. However, through Finance Act, 2019 a person's name can be part of ATL, even if the person has filed Tax Return after the due date specified by Income Tax authorities. Furthermore, a surcharge for placement on ATL after due date of filing of Tax Return will be charged as under:

Person	Surcharge (PKR)
Company	20,000
Association of Persons	10,000
Individuals	1,000

A company or an AOP shall be included in the ATL, whose return is not to be filed due to incorporation or formation after 30th day of June relevant to the Tax year pertaining to the ATL.

Joint account holders as an entity shall be deemed to be part of ATL if any of the persons in the joint account have met the criteria of being included in the ATL.

Bank account held in the name of a minor shall be considered part of ATL if the parents, guardians of the minor or any person who has deposited money in minor's account are deemed to have met the criteria of being included in the ATL. The late filers of Income Tax Return for Tax Year 2021 can pay "Surcharge for ATL" as defined under section 182(A) of Income Tax Ordinance 2001 by clicking on Tax Payment Nature "Misc" head in the PSID. Only after the payment of surcharge will the name of the late filer become part of ATL, the FBR added.

PR 6-3-2023

<p><b>TIER-1 RETAILERS UNHAPPY WITH DIRECT IMPOSITION OF 'HIGHEST' PENALTY</b></p> <p>LAHORE: The Tier-1 Retailers (T-1Rs) are offended with direct imposition of the highest degree of penalty by the field formations of the Federal Board of Revenue (FBR) while ignoring prerequisites of recovery proceedings in accordance with law i.e., Sales Tax Act, 1990. While requesting anonymity, they said, most of the recovery proceedings against T-1Rs are illegal because the department fails to carry them out as the law requires to be done. They said taxpayers are deprived of the procedural safeguards by the department simply to collect revenue by hook or by crook. The department also ignores pending proceedings before the relevant forums on the determination of whether a taxpayer is liable to be registered as a Tier-1 retailer or not, they added. Instead, some of them said, the field formations issue show cause notices and impose the highest degree of penalty without finalizing whether a taxpayer falls under the definition of Tier-1 retailer or not. So much so, the department also proceeds with sealing the business premises after a period of two months without realizing the illegality committed by it at the very outset of penal proceedings, they stressed.</p> <p>A tier-1 retailer is defined as a retailer operating as a unit of a national or international chain of stores, carrying out his business activity in an air-conditioned shopping mall, plaza, or centre (excluding kiosks), with electricity bill exceeding Rs1.2 million per annum, and included a wholesaler-cum-retailer engaged in bulk import and supply of consumer goods and also a retailer whose shop measures 1000 square feet in area and any other person or class of persons as prescribed by the Board.</p>
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However, according to sources, no necessary proceedings are carried out before rendering any retailer liable to penal consequences they said and added that it is a precondition to determine whether a particular retailer squarely falls within the definition of Tier-1 retailer or not, followed by his registration and rest of the proceedings.

Sources from among the tax practitioners have pointed out that it is imperative to note that the field formations ignore the provisions related to the reduced input tax rate. They said the tax authorities prefer to jump to the option of imposing a heavy penalty to harass the retailer instead of issuing a show cause notice to make an order for assessment of tax.

In most cases, tax authorities impose the highest penalty followed by the rest of the recovery proceedings to integrate him with the Board under T-IRs arrangements, they deplored. However, sources from the local field formation have pointed out that retailers try to hide behind legal protections to delay their integration, as they challenge the process related to integration at the very early stage and start abstaining from pursuing it at the appellate forum, which leads to penal action against them.

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