

LEVYING IT ON DEEMED RENTAL INCOME 'ILLEGAL': LHC

LAHORE: The Lahore High Court declared levying income tax on 'deemed rental income' of properties as illegal. The court allowed several identical petitions filed by Ahmad Iqbal and others who claimed that the federal government is eating up revenues which rightfully belong to local governments.

The counsel pleaded that although the tax levied under newly-inserted section 7E of the Income Tax Ordinance, 2001, has been cleverly disguised by the Federal Board of Revenue (FBR) as an 'income tax', it is not a tax on income. He argued that it is a property tax which represents the single most important source of revenue of local governments all over the world. This is the first time that the FBR has intruded into the domain of property taxes. The counsel said the fiscal future of local government would be jeopardized which would violate the object and purpose of Article 140A of the Constitution. He said the new law mandates that every property which is not in the use of the owner will be "deemed" by the FBR as bearing a rent equivalent to 5 percent of the total market value of the property. This "deemed rental income" would be taxed at a rate of 20 per cent, the counsel added.

The counsel asserted that property tax has remained a provincial subject under all the various constitutions of Pakistan. Furthermore, the provinces have consistently allocated the revenues derived from property tax to the respective local governments where the said properties are situated, he added. He further argued that the right of local governments to the revenue generated from property taxes has remained enshrined in law since the insertion of section 7-E in the Urban Immovable Property Act through Punjab Finance Ordinance, 1971. The counsel urged the court to strike down a recent legislation levying income tax on "deemed rental income" of properties. He, therefore, asked the court to declare the impugned provision of the law as unconstitutional, illegal and set aside the same.

R 7-4-2023

NCCPL TO COLLECT 13% SST FROM PSX STOCKBROKERS

KARACHI: The National Clearing Company of Pakistan (NCCPL) has announced on Thursday that it will collect Sindh sales tax (SST) at 13% on services to stockbrokers at the Pakistan Stock Exchange (PSX) after the provincial government recently amended the relevant laws. NCCPL will collect SST on its invoices with effect from March 14, 2023.

Clearing members, who settle trade deals among brokers and investors at NCCPL, are advised to pay the tariff for the month of March 2023 along with SST at 13% on the fifth settlement day, which is April 7, 2023.

The collection of SST is not new to the stockbrokers, as many of them were already paying it to the Sindh Revenue Board (SRB). The recent amendment in SST on Services Act 2011 has authorised the NCCPL to collect the tax on behalf of SRB and submit the same with it. Speaking to the Express Tribune, NCCPL Chief Executive Officer Muhammad Lukman said, "The collection of tax will add no new cost to clearing members in our opinion."

"NCCPL offers five to six services to PSX members, including clearing and settlement of stock trade deals, financing to investors through brokers to buy stocks, and collection of capital gains tax. Clearing members will now pay 13% SST on the NCCPL services valued at Rs50 million a month, estimated to be roughly Rs5-6 million a month," said Lukman.

In other news, Silkbank has received foreign interest. International Commercial Bank (ICB) of South Sudan has expressed an interest in subscribing to the shares of Silkbank Limited up to the extent of €50 million, subject to all regulatory requirements and financial due diligence. The board of directors of the bank has reviewed and "considered the letter of intention and accordingly granted its approval to the management of the bank to formally pursue the potential investment."

TR 7-4-2023

PHC STOPS FBR FROM SHIFTING KP'S TAXATION CASES TO ISLAMABAD

PESHAWAR: The Peshawar High Court on Thursday stayed the order of Federal Board of Revenue (FBR) for shifting the tax affairs of over 360 mega taxpayer organizations and industrial units from Regional Tax Office, Peshawar, to Islamabad. A division bench of PHC comprising Justice Ishtiaq Ibrahim and Justice SM Atiq Shah after arguments of lawyers for various organisations and industrial units accepted various petitions with regard to the shifting of tax affairs to Islamabad from Peshawar office.

The court stayed the FBR order of August 5, 2020 and directed the relevant department to keep maintaining the tax affairs of petitioners in the Peshawar Tax Office. Earlier, while representing various organizations and industrial units, lawyers Ishaq Ali Qazi, Qazi Ghulam Dastagir, Sheraz Butt, Ishtiaq Ahmad Senior and others pleaded that FBR had issued directives for shifting the tax affairs of mega organizations and industrial units of Khyber Pakhtunkhwa from Peshawar office to Islamabad in August 2020.

Subsequently, they said that the affairs of taxpaying organizations and industrial units of Khyber Pakhtunkhwa were then shifted to Islamabad from the Peshawar office, which had created great hardships for the taxpayers and owners of industrial units and organizations.

The counsels said that the FBR order was against law and constitutions and contrary to the set rules, which also led to discouraging the installation of new industrial units in KP. They pleaded that FBR had issued directives in haste and had not taken into account the ground realities with regard to the share National Finance Commission award of the province. They presented a detailed judgment of Balochistan High Court in a similar case and informed the court that if the FBR was allowed to shift the affairs of KP taxpayers to Islamabad then the province would be deprived of its mega share in NFC award. They said that BHC had declared null and void such amendments to FBR laws and had given verdict in favour of the petitioners in a similar case there.

The lawyers argued that there were clear laws and rules under which the tax affairs of individuals and industrial units were being dealt with by the local or regional tax offices. They also pointed out that the KP had already lost everything, including businesses, agriculture, tourism and industry in the recent wave of terrorism and floods and the FBR steps would ruin the remaining potential for the business and agriculture and others in the province. They said that industrialists and investors would prefer to install industry and launch businesses in other areas instead of KP if the FBR was allowed to continue with the current procedure of tax collection.

TN 7-4-2023

FBR NOTIFIES PROMOTIONS OF IRS, PCS OFFICERS TO BS-22

ISLAMABAD: Federal Board of Revenue (FBR) on Thursday notified promotions of officers to BS-22 from BS-21. A notification issued by the FBR revealed that around four officers, two of Inland Revenue Service (IRS) and other two officers of Pakistan Customs Service (PCS) have been promoted to BS-22. The FBR said that in pursuance of the approval of the Competent Authority i.e. the Prime Minister of Islamic Republic of Pakistan conveyed vide Establishment Division's O.M. No. 7/1/2022-CP-VI dated 06.04.2023 following BS-21 officers are promoted to BS-22 with immediate effect:

Inland Revenue Service

- i) Syed Nadeem Hussain Rizvi
- ii) Mr. Muhammad Nadeem Arif

The officer at S.No.1 will actualize his promotion upon his repatriation from Benami Adjudicating Authority, Islamabad.

The post of Director General, Directorate General of Anti Benami Initiative, Islamabad is hereby upgraded to BS-22 to the personal effect of Mr. Muhammad Nadeem Arif as long as the same is held by him.

Pakistan Customs Service:

1. Mukarram Jah Ansari
2. Faiz Ahmad

On promotion, Mr. Mukarram Jah Ansari shall remain posted as Member (Customs-Operations), FBR, until further orders. The post of Member (Customs-Operations), Federal Board of Revenue (HQ), Islamabad is upgraded to BS-22, as personal to him and as long as it is held by him, with immediate effect.

On promotion, Faiz Ahmad shall remain posted as Director General, Directorate General of Intelligence and Investigation-FBR, Islamabad, until further orders. The post of Director General, Directorate General of Intelligence & Investigation-FBR, Islamabad is upgraded to BS-22, as personal to him and as long as it is held by him, with immediate effect.

The FBR said that all ranks of FBR extend heartiest felicitations on their promotion and best wishes for their future assignments.

FBR RESHUFFLES SENIOR IRS OFFICERS AMID ACTION AGAINST WEALTHY TAXPAYERS

The Federal Board of Revenue (FBR) Wednesday announced a significant reshuffle of officers within the Inland Revenue Service (IRS) at a time when the board is taking extensive action against wealthy taxpayers who are defaulting on their taxes.

The FBR transferred 35 senior officials and almost all of them are BS-20 IRS officers. It is important to note that the last quarter is known to make efforts for achieving revenue collection target. Reportedly, in March, the revenue collection in Pakistan was Rs663 billion, falling short of the target of Rs727 billion. This could pose a challenge for the FBR to recover from the significant shortfalls in the last quarter of the current fiscal year. However, there was a 15.3% increase in revenue collection compared to last year's figure of Rs575 billion, and additional revenue may still be generated through book adjustments in the coming days.

Reports further suggested, as a result of the shortfall in March, the total shortfall in revenue collection for the first nine months of 2022-2023 has reached Rs278 billion, with a total collection of Rs5.155 trillion against the target of Rs5.433 trillion. Nevertheless, there was a growth of 17.55% compared to the Rs4.385 trillion collected in the same period last year.

The transfers of Commissioners level officers in the last quarter may be proved as counterproductive for the revenue collection efforts, especially when the FBR is facing shortfall in revenue collection.

FBR sources said that the latest transfers and postings had been made under influence of elites, who had been served notices for recovery of outstanding taxes. It is pertinent to mention that the FBR in past couple of weeks made recoveries through attachment of bank accounts of renowned businessmen and other super-rich taxpayers.

The FBR announced transfers and postings of following IRS officers:

01. Kazi Afzal (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-I) Regional Tax Office II, Karachi from the post of Commissioner, (Zone-IV) Regional Tax Office II, Karachi.
02. Zafar Iqbal Khan (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-IV) Corporate Tax Office, Islamabad from the post of Commissioner, (Enforcement) Corporate Tax Office, Islamabad.
03. Sajjad Taslim Azam (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-II) Corporate Tax Office, Lahore from the post of Commissioner, (Enforcement-II) Corporate Tax Office, Lahore.
04. Mohammed Nasser Janjua (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-V) Medium Taxpayers office, Karachi from the post of Commissioner, (Enforcement-II) Medium Taxpayers office, Karachi.
05. Hazoor Bux Laghari (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-II) Medium Taxpayers office, Karachi from the post of Commissioner, (Audit-II) Medium Taxpayers office, Karachi.
06. Ms. Samia Ejaz (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-V) Corporate Tax Office, Lahore from the post of Commissioner, (Audit-I) Corporate Tax Office, Lahore.
07. Ms. Fiza Batool (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-I) Corporate Tax Office, Lahore from the post of Commissioner, (Audit-II) Corporate Tax Office, Lahore.
08. Ms. Ayesha Imran Butt (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-III) Corporate Tax Office, Lahore from the post of Commissioner, (Legal) Corporate Tax Office, Lahore.

09. Faisal Rauf Memon (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-I) Medium Taxpayers office, Karachi from the post of Commissioner, (Zone-II) Large Taxpayers Office, Karachi.
10. Khaliq Farooq Mian (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-IV) Corporate Tax Office, Lahore from the post of Commissioner, (Enforcement-I) Corporate Tax Office, Lahore.
11. Muhammad Asghar Khan Niazi (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-III) Corporate Tax Office, Islamabad from the post of Commissioner, (Audit-I) Corporate Tax Office, Islamabad.
12. Dr. Muhammad Aslam Mari (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-IV) Corporate Tax Office, Karachi from the post of Commissioner, (Audit-III) Corporate Tax Office, Karachi.
13. Lal Muhammad Khan (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-IV) Regional Tax Office II, Karachi from the post of Commissioner, (Multan Zone) Regional Tax Office, Multan.
14. Zafar Rafiq Siddiqui (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-I) Corporate Tax Office, Karachi from the post of Commissioner, (Enforcement-I) Corporate Tax Office, Karachi.
15. Zulqarnain Ali Shaheen Haral (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-VI) Corporate Tax Office, Lahore from the post of Commissioner, (Audit-III) Corporate Tax Office, Lahore.
16. Zulfiqar Ali Syed (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-V) Large Taxpayers Office, Karachi from the post of Commissioner, (Zone-I) Large Taxpayers Office, Karachi.
17. Rafique-ur-Rehman Memon (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue (Appeals), Sukkur from the post of Commissioner, (Enforcement-II) Corporate Tax Office, Karachi.
18. S. Jaffar Raza Kazmi (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Lyallpur Zone) Regional Tax Office, Faisalabad from the post of Commissioner, (Zone-VI) Large Taxpayers Office, Karachi.
19. Abdul Qadir Shaikh (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-IV) Medium Taxpayers office, Karachi from the post of Commissioner, (Audit-III) Medium Taxpayers office, Karachi.
20. Girdhari Mal Maghwar (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-II) Large Taxpayers Office, Karachi from the post of Commissioner, (Audit-I) Corporate Tax Office, Karachi.
21. Ms. Uzma Saqib (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-IV) Regional Tax Office I, Karachi from the post of Commissioner, (Zone-I) Regional Tax Office II, Karachi.
22. Rashid Hussain Jamali (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-V) Corporate Tax Office, Karachi from the post of Commissioner, (Zone-V/WHT) Regional Tax Office II, Karachi.
23. Muhammad Asim Khattak (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-V/WHT) Regional Tax Office II, Karachi from the post of Commissioner, (Legal) Medium Taxpayers office, Karachi.
24. Abdul Hafeez (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-VI) Large Taxpayers Office, Karachi from the post of Commissioner, (Audit-I) Medium Taxpayers office, Karachi.

25. Hammal Baloch (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Multan Zone) Regional Tax Office, Multan from the post of Commissioner, (Zone-V) Large Taxpayers Office, Karachi.
26. Tariq Hussain Sheikh (Inland Revenue Service/BS-20) has been transferred and posted as Project Director (Track & Trace System), Federal Board of Revenue (Hq), Islamabad from the post of Project Director (Track & Trace System-South), Federal Board of Revenue (Hq), Islamabad.
27. Naib Ali Pathan (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-II) Corporate Tax Office, Karachi from the post of Commissioner, (Audit-II) Corporate Tax Office, Karachi.
28. Dr. Najeebullah (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-I) Large Taxpayers Office, Karachi from the post of Commissioner Inland Revenue (AEOI Zone), Karachi.
29. Azhar Erum Memon (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-I) Regional Tax Office, Quetta from the post of Commissioner, (Zone-IV) Regional Tax Office I, Karachi.
30. Javed Iqbal (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-III) Medium Taxpayers office, Karachi from the post of Commissioner, (Enforcement-I) Medium Taxpayers office, Karachi.
31. Ms. Maryam Habib (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (Zone-III) Corporate Tax Office, Karachi from the post of Commissioner, (Legal) Corporate Tax Office, Karachi.
32. Muhammad Akbar Mahar (Inland Revenue Service/BS-20) has been transferred and posted as Commissioner Inland Revenue, (AEOI Zone) Karachi from the post of Commissioner Inland Revenue (Appeals), Sukkur.
33. Rehmatullah Khan Durrani (Inland Revenue Service/BS-19) has been transferred and posted as Commissioner Inland Revenue, (OPS) (Zone-II) Regional Tax Office, Quetta from the post of Commissioner, (OPS) (Zone-I) Regional Tax Office, Quetta.
34. Nayyar Mehmood (Inland Revenue Service/BS-19) has been transferred and posted as Commissioner Inland Revenue, (OPS) (Zone-VI) Corporate Tax Office, Karachi from the post of Commissioner Inland Revenue, (OPS) (Zone-II) Corporate Tax Office, Islamabad
35. Makhno Khan Mahar (Inland Revenue Service/BS-19) has been transferred and posted as Commissioner, (OPS) (Legal) Corporate Tax Office, Islamabad from the post of Additional Commissioner, Medium Taxpayers office, Karachi.