FBR DENOUNCED FOR DISCLOSING IDENTITY OF WHISTLE-BLOWER

ISLAMABAD: President Dr Arif Alvi on Wednesday censured the Federal Board of Revenue (FBR) for leaking the whistle-blower's identity to the tax-evading private company which allegedly committed financial irregularities.

The president ordered the FBR to submit a report within 60 days and also explain why the board failed to fully utilise the information provided by the whistle-blower to recover the maximum sales tax amount from the company that caused losses to the national exchequer. While rejecting a representation filed by the FBR against the order of the Federal Tax Ombudsman (FTO), Mr Alvi said this is abhorrent to the whistle-blower concept and legislation. Instead of taking advantage, the FBR has been very lax in its attitude."

The whistle-blower had reported large-scale tax evasion by a private company to the FBR by risking his life, and resultantly received threats from the company. Mr Alvi also directed FBR to revisit its relevant assessment order and provide the whistle-blower with an opportunity for a hearing.

The complainant Muhammad Ilyas, serving as an Accountant in M/s Northern Toolings (Pvt) Ltd, reported to FBR that the company was indulged in various financial irregularities by maintaining bank accounts in the names of its employees, concealing warehouses with undeclared stock, less tax payment, and under-invoicing at import stage using similar names and style of another company, and thus, causing huge losses to the national exchequer.

The FBR initiated proceedings against the company and recovered Rs15.251 million, however, the amount recovered was too short due to the inefficient use of annexures provided by the complainant. The employee had filed complaints to the FBR chairman regarding tax evasion, however, after not getting any results, he took up the matter with FTO. During the proceedings of the ombudsman, the FBR raised objections over the jurisdiction of FTO on the ground that the issue related to the determination of liability of tax and interpretation of laws, rules and regulations with respect to which legal remedies were available.

FBR further contended that the whistle-blower had submitted his written statement regarding tax evasion of Rs5m and all the information provided by him was confronted and an appealable assessment order was also passed, therefore, a fresh round of complaints was unwarranted. FTO rejected the stance of FBR and stated that it was a case of not fully utilising the information in a matter where duties and taxes were evaded by using various tactics.

FTO further held that the complainant's contention regarding tax fraud by the company carried weight and therefore, it was in the interest of justice that he should be given another opportunity to present his viewpoint before FBR. Instead of complying with the order, FBR chose to file a representation with the President against the order of the FTO.

The President in his decision observed that FTO's order was merely a reiteration of FBR's responsibilities to conduct re-audit proceedings for the recovery of evaded sales tax by efficiently utilizing the information provided by the complainant and granting him another opportunity to explain his viewpoint in this regard.

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MALOMAAT WEB PORTAL FOR THE THIRD PARTY AND FBR DATA ABOUT THE EXISTING AND UNREGISTERED POTENTIAL TAXPAYERS

- Malomaat is a portal on FBR website through which every citizen can enroll and access to the information available about them with the FBR.
- The sources of information flashed at the Malomaat portal are from third party and from in house sources i.e. FBR's own data provided by the taxpayers through various statements and declarations as well as withholding data available in our e-payment system.
- The data is displayed under various headings at the home page of Malomaat portal for the information of the unregistered potential taxpayers.
- All citizens are strongly encouraged to enroll themselves via an easy process detailed at the home page of Maloomat and access the details of information available about them with the FBR.
- FBR currently displays data in various tabs/tiles named as withholding data, Vehicles, Properties, Frequent travelling, Debit transactions, Credit transactions and Educational expenses.

Further tabs would be introduced in due course of time as FBR is gradually connecting its data warehouse with all important departments/organizations recording major financial transactions.

• Third party data regarding existing taxpayers has been displayed under a menu in their IRIS login. They can access and compare it with their declarations.

• The information available on the Malomaat portal is continuously updated and refreshed from the third party and in-house data sources.

• Citizens need to be widely aware of the fact that FBR is holding records of all major financial transactions and no one can stay out of sight anymore. FBR is committed to bring all citizens on tax roll who are liable to file their tax returns. It is high time to be on tax roll to fulfil one's national obligation and conduct the businesses in a transparent manner and with peace of mind.

• Link to access and enroll for Malomaat - **https://iris.fbr.gov.pk/public/txpAILogin.xhtml**

https://fbr.gov.pk/malomaat-web-portal-for-the-third-party-and-fbr-data-about-the-existing-and-unregistered-potential-t/173824

FBR WebSite 13-4-2023 11:40AM

REFUND CLAIM: FTO UNEARTHS MALADMINISTRATION BY RTO OFFICIALS

ISLAMABAD: Federal Tax Ombudsman (FTO) has unearthed serious maladministration committed by the officials of the Regional Tax Office (RTO), Abbottabad against a refund claimant.

The FTO order revealed that the tax officials of the RTO Abbottabad applied wrong sections of the Income Tax Ordinance for taking action against the refund claimant. According to an order issued by the FTO here on Wednesday, FTO has directed the Federal Board of Revenue (FBR) to reprimand the officer who has bye-passed legal provisions by passing patently illegal and unjust orders and report compliance within 45 days.

The FBR should also ensure that Commissioner concerned will revisit the order passed u/s 221(1) for TY 2019 and a speaking order is passed invoking appropriate provisions of law.

The FBR should also dispose of the refund application as per law and after giving proper hearing. The complainant's refund application for tax year 2019 was processed, order u/s 170(4) was passed and refund was credited to his bank account. Later on, the department passed an order under section 122 (5A) of the Income Tax Ordinance 2001 whereby earlier refund order was amended.

The Commissioner Inland Revenue (Appeals) annulled the said order of the tax department to look into the legality of the impugned order passed u/s 122(5A) of the Income Tax Ordinance. The assessing officer has therefore invoked a wrong provision of section 122(5A) to amend the refund order. The section 122(5A) does not empower the assessing officer to amend a refund order passed u/s 170 of the Ordinance, FTO said. The department instead of invoking amendment assessment provisions, erroneously rectified the earlier order u/s 122(5A), FTO order added.

DUTIES/TAXES-FREE VEHICLES IMPORT: FBR PROPOSES CHANGES IN MOTOR VEHICLES RULES

ISLAMABAD: The Federal Board of Revenue (FBR) has made it mandatory for Customs officials to communicate particulars of the tourists, who have temporarily imported duties/taxes-free vehicles into Pakistan, to the Federal Investigation Agency (FIA).

The FBR on Wednesday proposed changes in the "Temporary Importation of Motor Vehicles Rules" so that the person temporarily importing a vehicle shall not be allowed to leave Pakistan unless he has exported the vehicle, or an import permit has been obtained and the Customs duties and other taxes in respect of that vehicle have been paid.

Through an SRO 454(I)/2023 issued on Wednesday, the FBR has issued draft amendments in the Customs Rules, 2001. Under the revised rules, the number and other particulars of the passport of an importer and of the vehicle imported by him shall be recorded at the customs-station of entry using the Customs Computerized System and the officer in-charge thereof shall communicate them to the FIA.

A tourist who imports a vehicle against carnet-de-passage or a bank guarantee may be given delivery thereof by the officer-in-charge of the customs-station of entry without payment of Customs duties for its retention in Pakistan for a period of three months if such tourist makes a declaration at the customs-station of entry to the effect that he will not constructively or substantially transfer the ownership of the vehicles to any other person during his stay in Pakistan, rules said. About the endorsement relating to export, the new rules said that when a vehicle imported is later exported, the officer-in-charge of the customs-station of exit shall make a stamped endorsement on the passport of the importer of that vehicle accordingly against the endorsement relating to its import and retention in Pakistan and shall record the export in the Customs Computerized System and communicate it to the FIA.

The revised rules also talked about the legal provisions relating to the reconciliation of carnet vehicles. At the end of each month, the officer-in-charge of customs-station of entry shall carry out reconciliation of all vehicles entered through that customs-station. Any vehicles which are outstanding after the expiry of the retention period shall be identified and all necessary steps shall be taken for the recovery of duties and taxes thereon, as well as for the seizure of such vehicles, the FBR added.

R 13-4-2023

OCAC SEEKS 0.25PC CUT IN MINIMUM TAX ON OMCS, REFINERIES

KARACHI: Pakistan's oil sector has sought reduction in minimum tax to 0.25 percent on refineries and oil marketing companies (OMCs) from 0.50 percent as expected rise in prices of petroleum products would diminish margins. Based on the current geo political situation, prices of petroleum products are expected to remain stable in the near future; however, due to the current economic challenges being faced by the country, further devaluation of rupee is expected. Accordingly, petroleum prices are expected to rise and the impact of minimum tax will further diminish OMC margins, Oil Companies Advisory Council (OCAC) stated in a letter written to the Federal Board of Revenue (FBR) chairman.

Drawing attention towards the levy of minimum tax under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) on gross receipts in respect of OCAC's member companies engaged in the business of refining, oil marketing and distribution of petroleum products, the oil body said minimum tax (0.50 percent) is applicable on gross turnover of both refineries and OMCs under section 113 of the Ordinance. It stated that prices of Petroleum Products (high speed diesel and motor spirit - petrol) and the margins thereon are fixed by the government and cannot be changed unless approval of the relevant ministries of the government is obtained. It said that margins of OMCs have been revised recently to Rs6 per liter for both products.

However, OMCs purchase the petroleum products from local refineries and also import the same for further distribution through petrol pumps and to industrial and commercial users. The selling price of petroleum products is determined by OGRA whilst the margin per liter to be retained by the companies as fixed by government is included in the sale price of the POL products. The OMC's margin has no nexus with the level of price. Whilst OMCs prepare their audited financial statements in accordance with the requirements of the International Accounting Standards and the Companies Act, 2017 on the basis of the gross value of POL products purchased/sold, the actual margin of the OMC from sale of POL products is the fixed margin as allowed by government. The said fixed margin covers all costs related to establishment, development and set-up of the business and running of the business including capital cost and financial costs.

OCAC said that due to significant increase in prices of petroleum products during the current year, the current minimum tax is effectively higher than the previous year, despite reduction from 0.75 percent to 0.50 percent effective July 2022. Seeking amendments in the ordinance, OCAC demanded that rate of minimum tax of 0.50 percent applicable on refineries and OMCs under section 113 of the Ordinance, be reduced to 0.25 percent; and the amount received by OMCs by way of fixed margin should be taken as their actual turnover for the computation of minimum tax liability under section 113 of the Ordinance.

TN 13-4-2023

MOVE TO INCENTIVISE E-BIKES: ECC SET TO CONSIDER THREE OPTIONS TODAY

ISLAMABAD: The Economic Coordination Committee of the Cabinet, which is scheduled to meet on Thursday (Apr 13), is all set to consider three options to incentivise e-bikes in the country, well-informed sources told *Business Recorder*.

Sharing the details, sources said that to facilitate the manufacturing of Electric Vehicles (EVs) in the country, the federal government has allowed the import of electric vehicles' specific parts at the rate of 1% customs duty and 1% sales tax. These incentives were incorporated in the clause 3.3 of Auto Industry Development and Export Policy (AIDEP 2021-26).

Ministry of Climate Change, in its EV Policy 2019, has set the EV penetration target of 50% of new sales of two and three wheeler EVs by 2030. To complement the objectives and the fiscal measures covering the supply side, the Prime Minister constituted a Committee to explore the viability of e-bikes and incentive structure to make e-bikes affordable.

On the basis of recommendations of the Committee, a comprehensive presentation on e-bikes was made to the federal government on December 28, 2022. Following are the salient facts and figures of the presentation: (i) more than 26.3 million motorcycles are in the country; (ii) annual market size of motorcycles is more than 2 million which are produced locally;(iii) average cost of E-Bike with Lithium battery and specific standards is Rs 170,000.

The high price renders EV penetration in the country slow; (iv) existing bikes on the road consume fuel of $3 billion annually; (v) in order to create quick and sustainable demand of E-Bikes in the country three financing schemes based on different criteria are proposed.

EDB has issued 22 manufacturing licenses to manufacturers of e-bikes; (vi) 7,377 units of electric motorcycles were manufactured in 2021-22; and (vii) the adoption of e-vehicles is slow primarily due to difference in price of ICE and e-bikes. The average cost of E-Bikes with lithium battery and specific standards is Rs 170,000. The high price renders EV penetration in the country slow.

In order to create quick and sustainable demand of E-Bikes in the country three financing schemes based on different criteria are proposed: (a) scheme-1 Cash Purchase Model; (i) government sharing Rs100,000 through banks as processing agents; (ii) consumer lump sum sharing Rs 70,000 from own sources; and (b) Scheme-2 - Price Sharing Model: (i) Rs 100,000 on sharing basis by government;(ii) Rs 70,000 as loan from banks (24 months);(iii) 50% credit guarantee by government to the banks; and (c) Scheme-3 - (i) Easy Loan Model: 30 percent down payment by consumer; (ii) Rs 70,000 as loan from banks (24 months); and (iii) 19 percent interest rate over a three-year leasing period, 50 per cent credit guarantee by government.

All three schemes are different in terms of financial requirements and require financing either from the government or the commercial banks. The proposal to incentivize 175,000 e-bikes through Scheme-1, ie, Cash Purchase Model, which may be treated as a preferred option will help government exchequer save $98 million during the next two years.

The beneficiaries of the proposed scheme have been identified which inter alia include persons enrolled with Benazir Income Support Programme (BISP), residents of flood affected areas, low-income government and private employees, government and civil/armed forces pensioners, etc.

The MoI&P has also proposed that funds already allocated under schemes of BISP may be utilized to provide logistic support to the low income segment of the society through the e-bikes.

APPELLATE TRIBUNAL INLAND REVENUE: KTBA CONCERNED OVER NON-APPOINTMENT OF CHAIRMAN

KARACHI: The Karachi Tax Bar Association (KTBA) has expressed concerns over the non-appointment of a new chairman for the Appellate Tribunal Inland Revenue (ATIR) following the superannuation of the previous chairman, Muhammad Waseem Chaudhary, on April 5, 2023.

In a letter sent to Azam Nazeer Tarar, Federal Minister for Law & Justice, KTBA stated that as a result, the benches of the Tribunal responsible for hearing cases related to Income Tax, Sales Tax, and Federal Excise Duty have ceased to operate, causing delays and hardship to taxpayers.

The letter further stated that all the five benches in Karachi likewise countrywide have become completely dysfunctional till the appointment of its new chairman or till any further orders issued by the competent authority, due to the application of its own set of laws and rules. It said during this period of inactivity, several appellants have faced illegal tax demands and have been unable to seek assistance from the tribunal as the staff is reportedly sitting directionless.

The Tax Appellate Tribunal, which operates in six stations across the country, is responsible for taking hundreds of appeal cases every day, the KTBA said and added that the cessation of its operations is unprecedented. The association urged the federal minister for Law & Justice, to intervene and restore the Tribunal’s operations by issuing instructions for the restoration of benches or alternatively, by constituting special benches for hearing stay applications. The KTBA was of the view that the delay in the appointment of a new chairman for the ATIR is causing significant harm to genuine taxpayers and requested urgent action to resolve the issue.

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