

Secretary IT FBR Zainul Abdeen says no hurdles in registration process of income tax, sales tax

ISLAMABAD: Federal Board of Revenue (FBR) Department of Information Technology (IT) has recently inaugurated the eight module of its newly installed Integrated Risk Information System (IRIS) program. Now all hurdles are removed in the process of registration of sales tax and income tax.

FBR's Secretary Information Technology Zainul Abideen, during his exclusive interview with *Customs Today*, said that credit of launching such a state-of-the-art program directly goes to FBR Chairman Tariq Bajwa, Member Information Technology Raana Ahmed and other members of the IT department of the FBR. He said that after launching of eighth version of IRIS it is easier for a person or a company to get registration of sales tax and income tax directly using this online system.

He said that after launching of IRIS nobody needs to stand in queues and wait for hours for their turn to get registration for sales tax or income tax returns, and they need not to wait for months to get a token for registration.

He said a salaried person can simply register himself online after obtaining a salary certificate from the bank concerned. While a business person must submit two extra documents containing agreement of occupied space, and proof of his business during the process of registration. If the business person is owner of the building, he should submit the proof of its ownership to the FBR.

Replying to a question, he said that business person must submit a copy of utility bills during the process of online registration. After submitting all these documents, one can get online registration number immediately.

He said if a person is unable to access these facilities then he/she must visit Regional Tax Office along with all these necessary documents, he/she will immediately registered in tax payers list without any hurdle.

Zainul Abideen further said that a slight difference is left for the registration of sales tax. If a person wants to get sales tax registration he/she should personally visit the regional tax office where he/ she will be photographed and will be taken his/her thumb impression. After which, he or she will immediately get registration for sales tax. He said that personal visit is must to avoid any fraud in sales tax registration process.

Zainul Abideen said that after launching of IRIS facility this is possible for every tax payer to change his/her profile online. Before this a person have to wait for weeks if he or she wished to change its contact number or email address.

He said that now if a taxpayer wants to change its defense counsel he or she change its profile online and these changes will automatically take place at once. He said now only last module of IRIS system is left that belong to Commissioner Appeals.

FBR Audit Policy 2015: 7.5pc to be selected out of total cases; details of excluded cases

KARACHI: The Federal Board of Revenue (FBR) said that random computer ballot for selection of 7.5 percent to select cases for audit out of the total Income Tax, Sales Tax and FED returns filed for Tax Year 2014 and for corresponding tax periods i.e. July 1, 2013 to June 30, 2014. Certain exclusions have been identified and approved by the Board which pertain to cases where audit is not required for this year.

Those exclusions are as under:

Income Tax Corporate Returns

- a) All person(s) whose entire income is exclusively subject to Final Taxation under the provisions of law as mentioned in sub-section (4) of Section 115 of the Income Tax Ordinance, 2001;
- b) All cases where no business is stated to have been conducted for the relevant tax year and no sales/ receipts have been declared.
- c) All cases already selected for audit for Tax Year 2013 by the Board U/S 214C.
- d) All cases already selected for audit by the CIRs for Tax Year 2014 under section 177(1) of the Income Tax Ordinance, 2001
- e) All cases qualifying for exemption from audit under clause (88) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 (notwithstanding the omission of said clause through Finance Act, 2014).

Income Tax Non-Corporate Returns

- a) All person(s) whose entire income is exclusively subject to Final Taxation under the provisions of law as mentioned in sub-section (4) of Section 115 of the Income Tax Ordinance, 2001.
- b) All cases where no sales/ receipts have been declared;
- c) Taxable income from salary only;
- d) Taxable income from share from AOP only;
- e) Cases of pensioners drawing exempt income from pension;
- f) Cases declaring foreign remittances only;
- g) All cases already selected for audit for Tax Year 2013 under section 214C of the Income Tax Ordinance, 2001.
- h) All cases already selected for audit by the CIRs for Tax Year 2014 under section 177(1) of the Income Tax Ordinance, 2001.

- i) All cases qualifying for exemption from audit under clause (88) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 (notwithstanding the omission of said clause through Finance Act, 2014).
- j) Case(s) of persons(s) where one or more of the above exclusions apply.

Sales Tax Corporate

- a) Null Return filers,
- b) Federal, Provincial and Local Government Departments;
- c) All cases of Steel Melters, and Steel Re-rollers who are paying sales tax under the Sales Tax Special Procedure Rules, 2007;
- d) All cases of Commercial importers only having no business other than commercial import business and who are paying 3 percent value added Sales Tax;
- e) All cases already taken up for audit for Tax Period(s) July 2013 to June, 2014 under section 25 ,and 38 of the Sales Tax Act , 1990;
- f) All cases already selected for audit for Tax Period(s) July 2012 to June, 2013 under section 72B of the Sales Tax Act, 1990.

Sales Tax Non-Corporate

- a) Null Return filers
- b) Federal, Provincial and Local Government Departments
- c) All cases of Steel-Melters, and Steel Re-rollers who are paying sales tax under the Sales Tax Special Procedure Rules, 2007.
- d) All cases of Commercial importers only having no business other than commercial import business and who are paying 3 percent value added Sales Tax;
- e) All cases already selected for audit for Tax Period(s) July 2013 to June, 2014 under section 25 ,and 38 of the Sales Tax Act , 1990;
- f) All cases already selected for audit for Tax Period(s) July 2012 to June, 2013 under section 72B of the Sales Tax Act, 1990.

FED Corporate/ Non-Corporate Returns

- a) Null Return filers
- b) Federal, Provincial and Local Government Departments;
- c) All cases already taken up for audit for Tax Period(s) July 2013 to June, 2014 under section 46 of the Federal Excise Act, 2005 Act ;
- d) All cases already selected for audit for Tax Period(s) July 2012 to June, 2013 under section 42B of the Federal Excise Act, 2005.

The scope of exclusions provided in this policy shall be restricted to cases to be selected for audit u/s 214C of the Income Tax Ordinance, 2001, Section 72B of the Sales Tax Act, 1990 and 42B of the Federal Excise Act, 2005.

FBR Audit Policy 2015: Income tax cases to be processed through IRIS; notices with bar code made mandatory

KARACHI: The Federal Board of Revenue (FBR) on Friday issued Audit Policy 2015 stating that Income Tax Audits pertaining to tax year 2014 and subsequent tax years will be processed through Integrated Risk Information System (IRIS). Whereas cases of sales tax and federal excise shall continue to be processed and routed through Tax Audit Management System (TAMS) until launching of other alternate IT system.

Each and every case shall be entered in to TAMS or IRIS whichever is applicable. All notices, letters and orders issued to the taxpayers should contain specific bar codes. Any notice issued or communication made otherwise shall not be construed as valid.

The Commissioner shall assign the audit cases to the relevant team to be headed by an officer of appropriate level. Competence level and Sector expertise of team members may also be kept in view.

The FBR said that Income Tax Manual Part-V and the Sales Tax Audit Hand Book may also be considered while conducting audit.

After consultation with the Commissioner, the head of the audit team must communicate to the taxpayer the discrepancies found in the audit for his explanation before finalizing the audit.

The Commissioners may assign audit cases to the audit team on rational and equitable basis depending upon nature and complexity of the cases.

The procedures and guidelines mentioned in the check-lists and Board's earlier letters should be followed strictly. Audits are to be conducted fairly and with integrity within the given legal framework without creating unnecessary harassment to the taxpayer.

The Board may prescribe a time frame for disposal of cases through administrative instructions from time to time.

It is, however, expected that the cases selected during a financial year would be disposed of during the same year.

In order to complete the audit successfully the role of Chief Commissioner, Commissioners, and Additional Commissioners is of paramount importance. They are not only expected to ensure quick disposal of audits but also maintain a reasonable and respectable level of audit quality by providing suitable guidance and mentoring to the audit teams.

Income tax rules: KTBA suggests removal of sub-rule (5) from Rule 231E

Karachi Tax Bar Association (KTBA) has proposed removal of sub-rule (5) from Rule 231E of the Income Tax Rules, 2002. In a letter sent to Tariq Bajwa Chairman Federal Board of Revenue (FBR), the KTBA said the board had issued SRO 891(I)/2015 to insert Rule 231E in the Income Tax Rules, 2002 for prescribing rules for computation of Super Tax under the newly inserted section 4B of the Income Tax Ordinance, 2001.

It said that sub-rule (5) of the draft rules which provided that provisions contained in sections 57, 57A, 58, 59 and 59A of the Ordinance dealing mainly with the adjustment of brought forward losses would not be applicable while computing income for the purpose of section 4B, ie, charging of Super Tax for the Tax Year 2015.

The letter said that section 4B of the Ordinance, inter alia, imposed a Super Tax on income of banking companies as well as all persons other than banking companies having income equal to or exceeding Rs 500 million. The term "income" has been defined in sub-section (2) of section 4B to inter- alia include taxable income under section 9 of the Ordinance. The section 9 defines the term "taxable income" to mean the total income under clause (a) of section 10 of a person reduced by any deductible allowances under Part 9 of Chapter III of the Ordinance.

Furthermore, the section 10 stated that total income of a person for a tax year shall be the person's income under all heads of income for the year. The heads of income have been defined in section 11 and inter-alia includes income from business covered under section 18 of the Ordinance.

The KTBA said that section 4B as legislated through the Finance Act, 2015 did not in any manner restrict the adjustment of brought forward losses as permissible under section 57 and simply sought taxable income as computed under section 9 of the Ordinance. Keeping the said argument in view, KTBA has proposed to delete sub-rule (5) from Rule 231E and may not be made part of the finalised Rule 231E.

Cargo agents: FBR approached for withdrawal of 8 percent minimum tax

Air Cargo Agents Association of Pakistan (ACAAP) has approached the Federal Board of Revenue (FBR) for withdrawal of 8 percent minimum tax on cargo agents, as it (minimum tax) has been considered as a penalty on loss making and low margin service providers.

In a communication to the FBR here on Friday, the ACAAP has requested the FBR to exclude the services sector

and cargo agents from the ambit of the minimum tax at the rate of 8 percent. This tax is not warranted in the case of limited companies and other taxpayers and profit margins in the services sector do not merit such a high rate of minimum tax. If such a tax is imposed, it would lead to increase in costs and consequently increase in the prices for services fuelling further inflation in the country and possible job losses in various sectors.

Keeping this in view, commercial and legal perspective, it is expected that the FBR will look into the matter sympathetically in the interest more than 200 Air Cargo Agencies (serving Pakistan's trade & industry); which are in and incubation stage in Pakistan and decision will certainly assists this industry grow and establish in Pakistan.

ACAAP's members who are IATA approved Air Cargo Agents are effectively facilitating the trade and commerce in Pakistan, contributing to federal revenues in the form of direct and indirect taxes and providing employment opportunities to public at large. There have been certain changes made to the existing taxation of the services providers in Pakistan and Air Cargo Agents being part of the services sector shall be seriously hampered.

In the Finance Act, 2015, the income tax deducted under section 153 of the Income Tax Ordinance, 2001, on the income of companies on account of rendering of services by them shall be minimum tax effective July 1, 2015. This implies that tax deduction under section 153 on services sector, would increase from 1% of turnover to 8% of turnover as minimum tax as against present tax at the rate of 32% of net income. This proposal and other changes will result in serious repercussions for the services sector:

Firstly, the tax would increase in income tax liability of member agencies to 8 times of existing tax liability. Secondly, the withholding tax rate of 8% on rendering of services was based on the premise that the profit before tax of all service providers would be around 25%. However, in reality Air Cargo Agents & similar service providers profits before tax of around 3-4% which is much lower than 25%. At such narrow profitability levels and even in certain cases taxable losses, the levy of minimum tax of 8% on all service providers would further burden the service sector to an alarming extent.

Additionally, the effective tax rate on the profits of services sector would be 200% of profits considering the profitability of the sector at 3-4% of turnover. Fourthly, the absorption of such a high effective tax rate of tax at the rate of 200% of profits is totally impossible and contrary to other sectors which are being taxed at the rate of 32% of profits.

Fifthly, the service providers having losses would be required to pay tax out of capital reserves and/or injection of fresh capital from the owners. This levy would tantamount to a penalty for loss making and low margin service providers which would lead to closure of businesses, create unemployment and disincentives further investment in the services sector.

Sixthly, a similar anomaly was created when the Finance Bill, 2009 was passed, however, similar provisions were excluded from the Finance Act, 2009. In this connection Circular 6 of 2009 was issued by FBR wherein it was clarified that the services provided by the corporate sector remained outside the scope of final tax regime.

Moreover, such a minimum tax has been made applicable retrospectively from 2009 which again has created the

problem manifold for the service providers. The above minimum tax on the services sector would increase the input costs and consequently increase the rates of services, thereby fuelling further inflation in the country. It may be noted here that the entire range of transactions of Freight industry is compulsorily transparent 100% through banking channels, it added.