

Ref : KTBA/09.2022/137

Date : September 06, 2022

Mr. Asim Ahmad,
Hon'ble Chairman,
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Malik Amjad Zubair Tiwana,
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Mr. Sardar Ali Khawaja,
Member (Public Relations),
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ISSUES IN TAX RETURN FORMS AND CALCULATIONS ON IRIS TAX YEAR 2022

Dear Sirs,

This is with reference to the forms of Annual Tax Returns issued by the Federal Board of Revenue (FBR). While KTBA appreciates the efforts that the forms of return of income for AOPs, individuals and Companies were issued right in the month of July 2022, it considers equally pivotal that errors and mistakes contained therein of serious nature, if not removed, which have actually not been removed as yet while the time for final due date is approaching closer, the utility and the whole purpose of taking the efforts to issuing the forms in time, is defeated in its entirety.

2- Through this letter, KTBA would like to convey its serious concern as to its apprehension that timely issuance of forms does not seem to result in timely filing of forms owing to failure to pay heed to the issues and errors, both legal and factual, and failure to bring the desired and necessary changes therein. It should be notable that both the tax filers and their consultants alike are experiencing the trouble and purely wasting the valuable time due to these problems.

3- NO COLUMN FOR REFUND ADJUSTMENT:

3.1- The burning issue due to which the Taxpayers and the legal fraternity are very much perturbed is with regard to deletion of tab previously available in the return to claim "adjustment of earlier refunds against the tax liability of the current year". The adjustment of refund against the payable tax is a fundamental right of a taxpayer and refund adjustment has always been provided in the return forms without any dispute.

3.2- It is important to note that the draft Return Forms issued through SRO 820(I)/2022, dated 21st June 2022 in pursuance of section 237(3) of the Income Tax Ordinance, 2001 very much contained the row bearing code 92101 regarding "refund adjustment of other year(s) against demand of the current year". Subsequently, after lapse of statutory period of seven days, the final version of the Income Tax Return for the Tax Year 2022 was introduced through SRO 978(I)/2022 dated

30th June 2022, whereby, part-II-V was added in the Second Schedule, after Part II in the Income Tax Rules, 2002. The notified return, which is part of the rules is now a valid return for all the purposes including deemed assessment order u/s 120(1) of the Ordinance, which when uploaded electronically on IRIS does not carry the said column for adjustment.

3.3- Needless to mention that deletion of refund adjustment row goes straight against the rights of the taxpayer depriving him of his legitimate claim. The matter needs to be given the due cognizance that above undue and unwarranted step is a huge deterrence in timely filings.

4- INCOME ATTRIBUTION WITH RESPECT TO MINIMUM TAXATION U/S. 153

It has been observed that IRIS web portal is presently computing and attributing income associated to provisions of Section 153 on certain predefined and programmed formula, which results in higher taxation on the same income. It is vehemently suggested that such taxpayers should be allowed to compute and attribute their incomes based on facts of their cases instead of prefixed tabs. Relevant fields for entering the figures should be relaxed and open.

5- PROFIT ON DEBT/INTEREST INCOME ON GOVERNMENT SECURITIES is SUBJECT TO FTR

5.1- The tax payable by a person other than a banking and insurance company on profit on debt/interest income from government securities is 15%, which shall be final tax as envisages under clause 20 of Part III of Second Schedule of the Ordinance.

5.2- The said clause has been omitted through Finance Act 2022, which will be applicable from Tax Year 2023. Despite this fact, IRIS has been manned to calculate tax on such profit on debt/interest income as per normal slab rate thereby wrongly applying the changes made through Finance Act 2022 retrospectively in the TY 2022 as well.

6- INITIAL DEPRECIATION ALLOWANCE ON PLANT & MACHINERY U/S. 23

6.1- Initial depreciation allowance @ 25% is allowed on purchase of Plant and Machinery under the provisions contained under Section 23 (read with Part II of the Third Schedule). The IRIS on web portal is presently not catering this scenario in line with law resulting in an incorrect computation of tax depreciation.

6.2- Further to the above, where brought forward Written Down Value and addition (new) simultaneously exist, the working of the current year depreciation get corrupted as well.

7- REVISED WEALTH STATEMENT u/s 116(3) IS NOT IMPORTED

7.1- It has been observed that statement of wealth for tax year 2022 is pre-populated with opening balance of last year's closing balance of original wealth statement filed by the taxpayer without considering any revised wealth statement filed by the taxpayer.

7.2- Consequently, those taxpayers who had revised their latest wealth statement are facing unnecessary and avoidable hassle.

8- FAIR MARKET VALUE OF PROPERTIES FOR CALCULATION OF DEEMED INCOME U/S. 7E

8.1- Subject to some exemption, tax @ of 20% has been imposed on deemed income calculated at five 5% of Fair Market Value of capital asset situated in Pakistan. The fair market value has been defined in Section 68 of the Ordinance and has also been notified by FBR through number of SROs.

8.2- It is recommended that such valuation table to be incorporated in the back end working of the income tax return after which the calculation of tax under Section 7E would be calculated automatically by IRIS system based on the description of property incorporated by the taxpayer in its wealth statement. This would ensure correct computation of tax under Section 7E of the Ordinance and would avoid any deviation therefrom.

9- SIMPLIFIED RETURN FOR SMEs

A simplified scheme for manufacturing SMEs with turnover up to 250 M was introduced by adding Section 100E read with Fourteenth Schedule through Finance Act, 2021. It is however, in patent disregard for Section 237 that no draft return for this purpose was notified and a return is yet to be uploaded as well. Consequently, manufacturing SMEs cannot proceed to file a return of income at all in the absence of such return.

We have mentioned hereinabove anomalies that came to our knowledge as and when appropriate fields are fed by our members. Your urgent attention is solicited and redressal is requested so that our members can file the return of income smoothly without any hassle.

Thanking You,
Yours sincerely,


(Syed Rehan Hasan Jafri)

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