

Ref : KTBA/09.2021/262

Date : September 28, 2021

**His Excellency Hon'ble Mr. Imran Khan,**  
Hon'ble Prime Minister,  
Islamic Republic of Pakistan,  
Islamabad.

**Sub: CORRECTION OF COMPUTATIONAL ERRORS AND REMOVAL OF PRE-FIXED ATTRIBUTES  
AND FORMULAE IN RETURN OF INCOME NOTIFIED FOR TAX YEAR 2021**

*His Excellency Hon'ble Mr. Imran Khan,*

This is with reference to above cited subject and our earlier letters dated June 17, 2021 and September 21, 2021 respectively addressed to the worthy Chairman, Federal Board of Revenue (FBR), copies of which are herewith attached, acknowledgement vis-à-vis a rejoinder to both are hitherto awaited to-date.

Historically, the Karachi Tax Bar Association (KTBA) has always lauded and has always shouldered the FBR's efforts to increase the revenue collection, expand the tax base and maintain the fiscal discipline. Nevertheless, we have always pointed out practical obscurities in those steps besides advising the FBR Officials to value correct law and rules in their occupation in a transparent and orderly manner.

We invite your kind attention towards the amendments made in the Income Tax Ordinance, 2001 (Ordinance), via Finance Act, 2019, wherein a paradigm shift in the Final Tax Regime (FTR) of sections 148, 153, 233 and others were taken and certain specified class of persons / income were shifted to Normal Tax Regime (NTR) in haste with the tax deducted under said sections to be the minimum tax; albeit the Ordinance do not endorse the later. The first Return of Income under the conceived NTR (with tax deducted as minimum tax) was rolled out for the Tax Year 2020 with countless conceptual and calculation mistakes, pre-fixed attributes and formulae. The KTBA in its letter dated December 02, 2020, copy of which is attached herewith for your ready reference, addressed to the then Chairman FBR, had highlighted those glitches and anomalies in the Return of Income; whereas the undersigned had personally travelled to Islamabad to apprise the FBR Officials of those legal inconsistencies. However, those were not resolved and the Taxpayers were coerced to file their tax declarations on flawed methodology.

This time (Tax Year 2021) the Return of Income was notified by the FBR on July 01, 2021 for the sake of fiscal discipline but without resolving the prior discrepancies. Needless to add that the timelines prescribed under Rule 34A of the Income Tax Rules, 2002, were blatantly violated. It is surprising to note that this year the FBR has issued the Forms of Return of Income in piecemeal as the Manual Return of Income was notified on August 27, 2021 and Simplified Return of

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Income under section 100E for manufacturing SME was uploaded (without a draft and a final notification) after August 10, 2021 and that too without following the procedure prescribed under the law (section 237 of Ordinance).

Your Excellency will appreciate, it goes without saying that **under no circumstances the FBR can compel a Taxpayer to file a Return of Income that contains certain set attributes which are not only flawed but are not in accordance with the law and are illegal as well.** Needless to mention here, the said pre-defined attributes are directly in conflict with the Self-Assessment Scheme presently applicable under the Ordinance. The KTBA in its letter dated September 21, 2021 addressed to the worthy Chairman FBR, had again expressed its strong reservations and highlighted several computational errors in the Return of Income. It is, however, yet to grab the attention of relevant officials whereas the closing date for filing of the return is round the corner.

The tax litigation historically has remained an arduous issue for the FBR to tackle-with and consistent defiance of law on the part of the FBR does not tend to serve any purpose but would only add-up to already piling tax litigations. Taking the advantage of the situation, we would like to invite your kind attention to a recently decided tax litigation by the Hon'ble Lahore High Court under Case No. Writ Petition No.57220 of 2021 dated September 24, 2021 where the FBR representatives had admitted the computational errors in the Return of Income pertaining to section 153 of the Ordinance (cases of FTR to NTR with its tax already deducted as minimum tax) and requested the Petitioner to explain his case on September 27, 2021 at FBR House, Islamabad. The Hon'ble Lahore High Court has directed the FBR not only to review and remove the legal inconsistencies and computational errors from the Return of Income promptly before notifying it as a lawful document but also directed that **"in case of hardship, petitioner and similarly placed persons shall also be accommodated accordingly"** (copy attached).

We at KTBA strongly believe that 90 days time provided under the law to file the Return of Income under section 118 of the Ordinance should only start when a flawless and error-free Return of Income in line with the provisions of the Ordinance is uploaded on IRIS which per-se is yet to be notified let-alone it is habitual at the FBR to amend and modify the Return of Income till last moment without notifying the same to the stakeholders which creates bad impression on the part of the FBR. Nonetheless, it is a grim reality that the FBR Portal, both e-FBR and IRIS remained hacked and disabled from August 14, 2021 and it was intermittently not working properly till the end of the August 2021 that again denied Taxpayers 90 days seamless time prescribed under the law to file the Return of Income.

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Kindly appreciate that people will continue to shy away from filing their tax returns until such time the onerous and arbitrary tax rules and practices are continued at FBR and the target of achieving a bigger tax base (new taxpayers) cannot be achieved and will always remain a dream!

We, therefore, sanguinely hope that under your sagacious leadership, the FBR will value the law and rules in their occupational pursuits; all pre-fixed attributes, formulae and computational errors in the Return of Income is removed and finally all Taxpayers are accorded due time and opportunity as also directed by the Hon'ble Lahore High Court lest litigation between the Taxpayers and Tax Collectors is bound to be continued.

The main purpose of writing this letter to your Excellency is that due to the reason that the FBR is time and again informing the Taxpayers that the present last date of filing of the Return of Income will not be extended beyond September 30, 2021. In this connection, the KTBA feels its responsibility that the Taxpayers are not at all in a position to meet the deadline of filing the Return of Income by September 30, 2021 till such time all the flaws and formulae errors are removed and the Return of Income is flawless and error-free. As such we are hopeful that you will kindly instruct the Chairman FBR to extend the date of filing of Return of Income atleast upto December 31, 2021 and oblige. We at KTBA feel that if the date is not extended, the target in the mind of FBR cannot be achieved.

We would also like to mention here that at the present our position and condition is like a tailor who has to give the stitched clothes to its customers before the Chand Raat. The reason to write this is to inform you that we feel that the FBR is treating the Tax Advisors and Tax Consultants as Sheep and is acting like a Shepherd which is unfair and not proper and so we request you to instruct the Chairman FBR to feel sympathy and pity on us who are working day and night, under very difficult circumstances, for filing the Returns of Income for our various clients. We at KTBA have the feeling that the FBR is completely ignoring the part of the Tax Advisors and Tax Consultants who are infact the Partners of the FBR in helping to achieve their targets.

In the end, we are very hopeful that our request for extending the date will be acceded to.

Thanking you,  
Yours sincerely,

  
(Muhammad Zeeshan Merchant)

President

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Ref : KTBA/06.2021/226

Date : June 17, 2021

Mr. Asim Ahmad,  
Hon'ble Chairman,  
Federal Board of Revenue,  
Islamabad.

**OBJECTIONS/SUGGESTIONS IN RESPECT OF DRAFT INCOME TAX RETURNS FOR SALARIED AND BUSINESS INDIVIDUALS, AOPs AND FOR COMPANIES – TAX YEAR 2021**

*Dear Mr. Asim Ahmed Sehob,*

Kindly refer to the SRO No. 730(I)/2021 (Income Tax) dated June 11, 2021 on the above subject.

It is truly commendable that draft Income Tax Return Forms in respect of Tax Year 2021 for this Year are relatively available earlier albeit the timelines are not in consistent with Rule 34A of Income Tax Rules 2002 nor approved Change Request Form (CRF) is evenly shared in order to let us track and trace the changes incorporated in the draft returns. Secondly please appreciate that returns are not available in excel format to test the computations thus requirement of User Acceptance Test (UAT) of an amended return for testing environment is also not followed as required in Rule 34A(2)(e) read with sub-rule (3) ibid.

Given that we strongly believe that any timeline for the purpose of Sec.237 of the Income Tax Ordinance, 2001, shall not take effect unless due diligence prescribed in sub-rule (3) and (4) ibid, is followed in letter and spirit. We, therefore, earnestly hope that Board will soon upload the amended return of income on IRIS portal for the purpose of UAT and time prescribed for suggestions/ objections in rules will be allowed accordingly.

Finally, we may add that practically it is impossible for any taxpayer, be it Individual, AOP or Company to file return of income particularly on the first day of July or immediately thereafter owing to following factors:

- Certificates for the purpose of Sec. 149 are issued by the employers broadly by the end of July so is the case of other Withholding Certificates by the Withholding Agents.
- Closing of books and completion of financial statements on thirtieth June is effectively impossible as Sales Tax Return for June is filed by the mid of July.

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- Mainly the taxpayer starts compiling necessary information & documents to prepare and file the returns in the first week of July and normally it takes at least a month for this purpose. As such the pace of filing of return in July is almost nil and very slow.

Before parting we also suggest that for the purpose of Section 118 of the Income Tax Ordinance, 2001, the Board shall fix the deadline to file return keeping in view the above as well.

Thanking you,  
Yours sincerely,

  
(Muhammad Zeeshan Merchant)

President

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C.C to :

- i. **Dr. Muhammad Ashfaq Ahmed**, Member-IR (Operations), FBR, Islamabad
- ii. **Ch. Muhammad Tarique**, Member-IR (Policy), FBR, Islamabad.
- iii. **Mr. Sajidullah Siddiqui**, Member (Information Technology), FBR, Islamabad.
- iv. **Mr. Aftab Hussain Nagra**, President, Pakistan Tax Bar Association.
- v. **Press and Media.**



Ref : KTBA/09.2021/260

Date : September 21, 2021

**Dr. Muhammad Ashfaq Ahmed,**  
Hon'ble Chairman,  
Federal Board of Revenue,  
Islamabad.

## **TECHNICAL ISSUES IN FILING OF INCOME TAX RETURN FOR THE TAX YEAR 2021**

*Dear Dr. Muhammad Ashfaq Ahmed Sahab,*

While it is commendable that the Federal Board of Revenue (FBR) has this time, prescribed return of income (for AOPs and individuals) in the month of July; it is however return filers & tax consultants alike are not satisfied with the classification of income set in IRIS, and otherwise are experiencing various computational errors, glitches etc which we share with you below with hope that they will be given a passionate thought at the earliest.

### **1) COMPUTATION OF CAPITAL GAINS TAX ON DISPOSAL OF IMMOVABLE PROPERTY U/S. 37**

The provisions of Section 37(1A) of the Income Tax Ordinance, 2001 (Ordinance) prescribes mode of taxation of gain on disposal of an immovable property on the basis of holding period of the property and the amount of taxable gain; whereas the amount of taxable gain is effectively reduced by 25% with each additional year of holding and finally taxable value is reduced to '0' if the holding period exceeds four years. Correspondingly a variable tax rates are prescribed in Division VIII of Part I of the First Schedule.

Although, law prescribes taxation of gain of immovable property on net amount (refer sub-section (3A) Section 3A) but conversely the return works out the tax liability on gross amount of gain. A sample illustration to explain this technical error is given below for ready reference:

Holding Period	Gain Amount	Taxable Gain	Rate	Tax Amount	Rate	Tax Amount	Difference
			As per IRIS		As per Law		
>2 years but <3 years (50%)	7,500,000	3,750,000	5%	187,500	2.50%	93,750	93,750
>3 years but <4 years (25%)	7,500,000	1,875,000	5%	93,750	2.50%	46,875	46,875

A screenshot of the said issues is given below for ready reference and explanation:

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Capital Gains on Immovable Property u/s 37(1A)	64220050	37,500,000		0
Capital Gains on Immovable Property u/s 37(3A) where holding period does not exceed 1 year	64220058	7,500,000		375,000
Capital Gains on Immovable Property u/s 37(3A) where holding period exceed 1 year but does not exceed 2 years	64220059	7,500,000		281,250
Capital Gains on Immovable Property u/s 37(3A) where holding period exceed 2 years but does not exceed 3 years	64330058	7,500,000		187,500
Capital Gains on Immovable Property u/s 37(3A) where holding period exceed 3 years but does not exceed 4 years	64330059	7,500,000		93,750
Capital Gains on Immovable Property u/s 37(3A) where holding period exceeds 4 years	64220060	7,500,000		

## 2) LOSS ON DISPOSAL OF SECURITIES U/S. 37A

Similarly, in line with Section 37A, unadjusted loss on disposal of securities during the Tax Year 2019 and onwards shall be carried forward to subsequent three tax year or is adjustable only against the gain of the person's gain on disposal of securities in succeeding three years. Conversely, the web portal does not have any enabling/dedicated field / tab to declare the amount of loss sustained on disposal of securities and carried forward to future tax periods. Moreover, if such a loss on capital gain of securities is reported under the existing tab the same is resulting in a negative amount of tax that ultimately results in incorrect tax computation. A screenshot from return is given below you're your illustration

Advance tax u/s 236K for Non-Resident Transferee	64151952			
Capital Gains on Immovable Property u/s 37(1A)	64220050	0		0
Capital Gains on Immovable Property u/s 37(3A) where holding period does not exceed 1 year	64220058			
Capital Gains on Immovable Property u/s 37(3A) where holding period exceed 1 year but does not exceed 2 years	64220059			
Capital Gains on Immovable Property u/s 37(3A) where holding period exceed 2 years but does not exceed 3 years	64330058			
Capital Gains on Immovable Property u/s 37(3A) where holding period exceed 3 years but does not exceed 4 years	64330059			
Capital Gains on Immovable Property u/s 37(3A) where holding period exceeds 4 years	64220060			
Capital Gains on Securities u/s 37A @0%	64220151	-100,000		0
Capital Gains on Securities u/s 37A @5% (PMEX/Cash Settled Securities)	64220153	-100,000		-5,000
Capital Gains on Securities u/s 37A @7.5%	64220157	-100,000		-7,500
Capital Gains on Securities u/s 37A @10%	64220158	-100,000		-10,000
Capital Gains on Securities u/s 37A @12.5%	64220155	-100,000		-12,500
Capital Gains on Securities u/s 37A @15%	64220156	-100,000		-15,000
Capital Gains on Securities u/s 37A @ corporate tax rate	64220199	-100,000		-29,000
Capital Gains on Securities u/r 6B, 4th Schedule @ Corporate Tax Rate	64220259			
Profit on Debt on National Savings Certificates including Defence Saving pertaining to previous years u/s 39(4A)	64230052			
Purchase of Locally Produced Edible Oil u/s 148(A)	64310053			
Fee for Garbage Services by Oil Tanker u/c (43D), Part IV, 2nd Schedule	64320051			
Fee for Goods Transport Contractor u/c (43E), Part IV, 2nd Schedule	64320053			
Receipts from Shipping Business of a Non-Resident Person u/s 7	64310065			
Receipts from Shipping Business of a resident person u/s 7A	64310065			
Fee for Transport Services outside Pakistan u/c (3), Part II, 2nd Sch @1%	64310061			

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### 3) INCORRECT WORKING OF TAX DEPRECIATION U/S. 22

In order to restrict claim of depreciation upto 50% to first time return filers a proviso to Section 22(2) is inserted via Finance Act 2020 which to the exclusion of Special Tax Year 2021 is expressly applicable w.e.f. July 2020; however, IRIS portal is applying this restriction in cases of Special Tax Year. A screenshot of the issue for illustration is given below:

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification			
										Import Previous Return	Calculate	
Description	Code	WDV (BF)	Deletion	Addition (Used in Pakistan)	Extent of Use	Addition (New)	Extent of Use	Initial Allowance	Depreciation	WDV (CF)	Action	
Building (all types)	3302					100,000	100.00	0	5,000	95,000		
Ramp for Disabled Persons	330204					100,000	100.00	100,000	0	0		
Plant / Machinery (not Otherwise specified)	330301					100,000	100.00	25,000	5,625	69,375		
Computer Hardware / Allied Items / Equipment used in manufacture of IT products	330302					100,000	100.00	25,000	11,250	63,750		
Furniture (including fittings)	330303					100,000	100.00	0	7,500	92,500		
Technical / Professional Books	330304					100,000	100.00	25,000	5,625	69,375		
Below ground installations of mineral Oil concerns	330305											
Offshore installations of mineral Oil concerns	330306											
Office Equipment	330307					100,000	100.00	25,000	5,625	69,375		
Machinery / Equipment eligible for 1st Year Allowance	330308					100,000	100.00	90,000	750	9,250		
Motor Vehicle (not plying for hire)	33041											
Motor Vehicle (plying for hire)	33042											
Ships	33043											
Aircrafts / Aero Engines	33044											

### 4) INITIAL ALLOWANCE ON PLANT & MACHINERY U/S. 23

Subject to certain restrictions initial allowance @ 25% is allowed against plant and machinery on the strength of proviso to Section 23 (read with Part II of the Third Schedule). The IRIS web portal is presently not catering this scenario in line with law resulting in an incorrect computation of tax depreciation. A screenshot of the said issue is given below for your purview:

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification				
Description		Code	WDV (BF)	Deletion	Addition (Used in Pakistan)	Extent of Use	Addition (New)	Extent of Use	Initial Allowance	Depreciation	WDV (CF)	Action	
Building (all types)		3302					100,000	100.00	0	5,000	95,000		
Ramp for Disabled Persons		330204					100,000	100.00	100,000	0	0		
Plant / Machinery (not Otherwise specified)		330301					100,000	100.00	25,000	5,625	69,375		
Computer Hardware / Allied Items / Equipment used in manufacture of IT products		330302					100,000	100.00	25,000	11,250	63,750		
Furniture (including fittings)		330303					100,000	100.00	0	7,500	92,500		
Technical / Professional Books		330304					100,000	100.00	25,000	5,625	69,375		
Below ground installations of mineral Oil concerns		330305											
Offshore installations of mineral Oil concerns		330306											
Office Equipment		330307					100,000	100.00	25,000	5,625	69,375		
Machinery / Equipment eligible for 1st Year Allowance		330308					100,000	100.00	90,000	750	9,250		
Motor Vehicle (not plying for hire)		33041											
Motor Vehicle (plying for hire)		33042											
Ships		33043											
Aircrafts / Aero Engines		33044											

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Further, where WDV (BF) and addition (new) simultaneously exist again the working of current year depreciation is incorrect.

## 5) TAX ON FEE FOR TECHNICAL SERVICES / ROYALTY OF A NON-RESIDENT PERSON

Under the provisions of Section 152(1) read with Sections 6 and 8 of the Ordinance, the tax deducted on payment of Pakistan-sourced Royalty and Fee for Technical Services of a non-resident person is a Final Tax. The online return form is presently classifying it under 'minimum tax tab' resulting in a incorrect higher tax liability. A screenshot of the said issue is given below for ready reference and explanation:

Minimum Tax Chargeable							
Description	Code	Receipts / Value	Tax Collected / Deducted / Paid	Tax Chargeable	Attributable Taxable Income	Tax on Attributable Taxable Income	Difference of Minimum Tax Chargeable
Royalty / Fee for Technical Services to a Non-Resident u/s 152(1) / Division IV, Part I, 1st Schedule	64050051	13,025,159	0	1,953,774	0	0	0
Payment for Goods u/s 153(1)(a) @0.25%	64060082	0	0	0	0	0	0
Payment for Goods u/s 153(1)(a) @4.5%	64060059	1,075,134	48,381	48,381	200,000	18,779	29,602

## 6) DISCREPANCIES IN DETAILS AVAILABLE ON FBR ONLINE PLATFORMS

For past few years, the FBR has started sharing information regarding WH/advance taxes through "FBR Maloomat" and recently via "MIS". It is, however, as of today the information at times is patchy and is not complete and correct either. Given that, it is suggested that unless the scheme is fully operational, tax deduction certificates will continue to be acceptable and no adverse inference should be taken for discrepancies on this score.

## 7) SIMPLIFIED RETURN FOR SMEs

A simplified scheme for manufacturing SMEs (having turnover upto 250 m) is introduced by adding Section 110E read with Fourteenth Schedule through Finance Act, 2021. It is however, in patent disregard for Section 237, **no draft return** for this purpose was notified and a return is uploaded on the portal without any notification as well as without following the conditions of Rule 34A putting

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validity of the return in jeopardy. A few anomalies in this return (though still not notified) are also experienced by us and is shared below for your appreciation:

- The return is accepting turnover in excess of Rs. 250(M) in revenue tab which ought to be restricted to Rs. 250(M).
- It is not applying correct rate of tax in case a person who opts not to avail FTR and creating incorrect tax liability. Screen shots from return is shared below for your understanding.
- It has also been observed that an assignment for re-filing of SME return afresh is available to a person who already had filed its return; without any recourse for a revised return.
- Although law requires dedicated registration SME at IRIS portal however, the portal *sans* this feature as yet; needless to add that selection from "attribute tab" is not an apt option for this purpose.

The screenshots of some of the identified technical Issues in the online return form for SMEs are given below:

i) **Tax Liability at 'Zero' Turnover / Taxable Income**

Description	Code	Total Amount/ Receipts / Value	Amount Exempt from Tax / Subject to Final Tax/ Tax Collected / Deducted	Calculate		Action
				Calculate	Subject to Normal Tax / Tax Chargeable	
Business turnover/Receipts	300101					
Cost of Sales	3030	0	0		0	
Opening Stock	303101					
Purchases	305101					
Other Direct Expenses	3083					
Accounting Depreciation	3088					
Closing Stock	309101					
Gross Profit	3100	0	0		0	
Profit & Loss Expenses	3190					
Inadmissible Tax Deductions excluding Accounting Depreciation	3234					
Admissible Tax Deductions including Accounting Depreciation	3254					
Electricity Bill	64140051					+
Tax already Paid - tele-other	640000					
Telephone (Telephone, Cellphone And Prepaid Telephone Card)	64150000					+
Others	64990001					
Deductible Allowances	900101					
Tax Credits	932101					
Turnover / Tax Chargeable	923160					
Net Profit / Taxable Income	9100				275,000,000	
Tax Chargeable	9200				37,500,000	
Net tax payable	9203				37,500,000	
Refundable Income Tax	9210					

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## ii) Computation of Tax Liability at turnover in excess of Rs 250 Million

Description	Code	Total Amount/ Receipts / Value	Amount Exempt from Tax / Subject to Fixed / Final Tax/ Tax Collected / Deducted	Calculate		Action
				Amount Normal Tax/ Tax Chargeable	Import Previous Return	
Business turnover/Receipts	300101	300,000,000		300,000,000		
Cost of Sales	3030	65,000,000	0	65,000,000		
Opening Stock	303101					
Purchases	305101					
Other Direct Expenses	3083	65,000,000		65,000,000		
Accounting Depreciation	3088					
Closing Stock	309101					
Gross Profit	3100	235,000,000	0	235,000,000		
Profit & Loss Expenses	3180					
Inadmissible Tax Deductions excluding Accounting Depreciation	3234					
Admissible Tax Deductions including Accounting Depreciation	3254					
Electricity Bill	64140051					+
Tax already Paid - tele-other	640000					
Telephone (Telephone, Cellphone And Prepaid Telephone Card)	64150000					+
Others	64990001					
Deductible Allowances	900101					
Tax Credits	932101					
Turnover / Tax Chargeable	923160					
Net Profit / Taxable Income	9100			235,000,000		
Tax Chargeable	9200			35,250,000		
Net tax payable	9203			35,250,000		
Refundable Income Tax	9210					

Description	Code	Total Amount/ Receipts / Value	Amount Exempt from Tax / Subject to Fixed / Final Tax/ Tax Collected / Deducted	Calculate		Action
				Amount Normal Tax/ Tax Chargeable	Import Previous Return	
Business turnover/Receipts	300101	300,000,000		300,000,000		
Cost of Sales	3030	25,000,000	0	25,000,000		
Opening Stock	303101					
Purchases	305101					
Other Direct Expenses	3083	25,000,000		25,000,000		
Accounting Depreciation	3088					
Closing Stock	309101					
Gross Profit	3100	275,000,000	0	275,000,000		
Profit & Loss Expenses	3180					
Inadmissible Tax Deductions excluding Accounting Depreciation	3234					
Admissible Tax Deductions including Accounting Depreciation	3254					
Electricity Bill	64140051					+
Tax already Paid - tele-other	640000					
Telephone (Telephone, Cellphone And Prepaid Telephone Card)	64150000					+
Others	64990001					
Deductible Allowances	900101					
Tax Credits	932101					
Turnover / Tax Chargeable	923160					
Net Profit / Taxable Income	9100			275,000,000		
Tax Chargeable	9200			35,250,000		
Net tax payable	9203			35,250,000		
Refundable Income Tax	9210					

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### iii) Zero Tax Liability at Turnover / Taxable Income of Rs 250 Million

Description	Code	Total Amount/ Receipts / Value	Amount Exempt from Tax / Subject to Fixed / Final Tax/ Tax Collected / Deducted	Calculate	Import Previous Return	Action
				Calculate	Calculate	
Business turnover/Receipts	300101	250,000,000			250,000,000	
Cost of Sales	3030	0	0		0	
Opening Stock	303101					
Purchases	305101					
Other Direct Expenses	3083					
Accounting Depreciation	3088					
Closing Stock	309101					
<b>Gross Profit</b>	<b>3100</b>	<b>250,000,000</b>	<b>0</b>		<b>250,000,000</b>	
Profit & Loss Expenses	3180					
Inadmissible Tax Deductions excluding Accounting Depreciation	3234					
Admissible Tax Deductions including Accounting Depreciation	3254					
Electricity Bill	64140051					+
Tax already Paid - tele-other	640000					
Telephone (Telephone, Cellphone And Prepaid Telephone Card)	64150000					+
Others	64900001					
Deductible Allowances	908101					
Tax Credits	932101					
Turnover / Tax Chargeable	923160					
<b>Net Profit / Taxable Income</b>	<b>9100</b>				<b>250,000,000</b>	
Tax Chargeable	9200					
Net tax payable	9203					
Refundable Income Tax	9210					

### 8) DISCLOSURE OF TAX COLLECTED UNDER SECTION 236D

Through the Finance Act, 2020, the advance tax on function and gatherings has been withdrawn which is practically applicable from July 1, 2020, it is however persons following Special Tax Year are yet to claim this collection/deduction whereas this filed has been removed from the return. It is therefore, suggested that field should be reinstated to claim tax deduction who are entitled for that.

### 9) WEALTH STATEMENT FOR NON-RESIDENT INDIVIDUALS

It has been observed that statement of wealth for tax year 2021 is pre-populated with opening balance of last year's closing balance without considering the tax residency of a person. Consequently, non-resident individuals who otherwise is not required to file a wealth statement cannot proceed to file a return of income in the presence of such unnecessary disclosure.

### 10) DISCREPANCIES IN TAX COMPUTATION OF A COMMERCIAL IMPORTER

Through Finance Act, 2019, the facility of FTR for commercial importers has been abolished. In order to cater the transition period, the FBR has made appropriate changes in the computation of tax liability of commercial importer like impact of closing and opening stocks. However, IRIS web portal is not catering the impact of closing / opening stock which is resulting in an incorrect tax computation.

Cont'd ... (8)



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## 11) INCOME ATTRIBUTION WITH RESPECT TO MINIMUM TAXATION U/S. 153 AND U/S. 234A

It has been observed that IRIS web portal is presently computing and attributing income of persons associated to Section 153 and Section 234A on certain predefined and programmed formula.

It is suggested that such persons should be allowed to compute and attribute their incomes based on facts instead of predefined or programmed formula and relevant field should be relaxed. A sample illustration with screenshot is given below:

Adjustments				
Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax
Income / (Loss) from Business before adjustment of Admissible Depreciation / Initial Allowance / Amortization for current / previous years	3270	0	0	12,410,651
<b>Final / Fixed / Minimum / Average / Relevant / Reduced Tax</b>				
Description	Code	Receipts / Value	Tax Collected / Deducted	Tax Chargeable
Final / Fixed / Minimum / Average / Relevant / Reduced Tax	640061	78,718,275	3,405,547	3,148,731
CHQ Station Gas Bill u/s 234A	64130151	78,718,275	3,148,731	3,148,731
Electricity Bill of Industrial Consumer u/s 235	64140062	0	256,816	0
Electricity Bill of Industrial Consumer u/s 235	64140062	0	256,816	0
Capital Gains on immovable Property u/s 27(1A)	64220050	0	0	0
<b>Computations</b>				
Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax
Income / (Loss) from Business	3000	12,410,651	0	12,410,651
Total Income	9000	0	0	12,410,651
Taxable Income	9100	0	0	12,410,651
Tax Chargeable	9200	0	0	4,271,615
Normal Income Tax	920000	0	0	3,405,728
Turnover / Tax Chargeable u/s 113 @ 1.5%	923180	120,828,315	0	1,809,380
Difference of Minimum Tax Chargeable	923201	0	0	807,287
Withholding Income Tax	9201	0	3,405,547	0
Admitted Income Tax	9208	0	0	865,489

	Normal tax in light of Circular 09 of 2012 for minimum tax calculation		Calculation done by the return
	Tax year 2021	Tax year 2021	
Sales	116,448,943	116,448,943	
Cost of sales	96,204,126	96,204,126	
Gross profit	20,164,817	20,164,817	
Administrative, selling and general expenses	7,754,166	7,754,166	
Profit before tax	12,410,651	12,410,651	
Tax chargeable			
On Rs. 6,000,000 fixed tax is	1,220,000		
On balance tax @ 35%	2,243,728	3,463,728	3,463,728
Difference of Minimum Tax Chargeable- Column No 923201			807,287
			4,271,615
Tax deducted on			
Gas bills	3,148,731	3,148,731	
Electricity bill	256,816	256,816	
	3,405,547	3,405,547	
Tax liability / tax payable with return	58,181	865,921	

## 12) COMPUTATION OF FOREIGN INCOMES

Though tabs for various classification of incomes has now been catered in the return of income it has however, been observed that portal is computing tax for all streams of income on the basis of business income. A few screen shots are shared below for your comprehension.

File Save Submit Cancel Print

Topic: 114(1) (Return of Income filed voluntarily for complete year)

Name: MUHAMMED TARIQ MASOOD

Transaction Date: 01-Dec-2020

Registration: 4210117709039

Period: 01-Jul-2019 - 30-Jun-2020 Tax Year: 2020 Valid

Due Date: 30-Sep-2020 Document Date: Submission Date: \*

Data Amortization Depreciation Minimum Tax Option out of PTR Payment Company Director Attachment Attribute Verification

Select Language: ENGLISH

Calculate Import Previous Return

	Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Employment						
Salary						
Property	Foreign Income	8000	5,000,000	0	5,000,000	
Business	Foreign Property Income / (Loss)	8029				
Capital Assets	Foreign Business Income / (Loss)	8039				
Other Sources	Foreign Capital Gains / (Loss)	8049				
Foreign Sources / Agriculture	Foreign Other Sources Income / (Loss)	8059				
Foreign business	Foreign Salary Income	6011	5,000,000		5,000,000	
Agriculture						
Tax Chargeable / Payments						
118 - Wealth Statement						

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File Save Submit Cancel Print																																																																															
Task: 114(1) (Return of Income filed voluntarily for complete year)						Transaction Date: 01-Dec-2020																																																																									
Name: MUHAMMED TARIQ MASOOD						Registration: 421011779639																																																																									
Period: 01-Jul-2019 - 30-Jun-2020 Tax Year: 2020 Valid						Due Date: 30-Sep-2020		Document Date: Submission Date: *																																																																							
Upto																																																																															
Data Amortization Depreciation Minimum Tax Option out of PTR Payment Company Director Attachment Attribute Verification																																																																															
Select Language: ENGLISH Calculate Import Previous Return																																																																															
<table border="1"><thead><tr><th>Salary</th><th>Description</th><th>Code</th><th>Total Amount</th><th>Amount Exempt from Tax / Subject to Fixed / Final Tax</th><th>Amount Subject to Normal Tax</th><th>Action</th></tr></thead><tbody><tr><td>Property</td><td>Foreign Income</td><td>6000</td><td>5,000,000</td><td>0</td><td>5,000,000</td><td></td></tr><tr><td>Business</td><td>Foreign Property Income / (Loss)</td><td>6029</td><td></td><td></td><td></td><td></td></tr><tr><td>Capital Assets</td><td>Foreign Business Income / (Loss)</td><td>6039</td><td></td><td></td><td></td><td></td></tr><tr><td>Other Sources</td><td>Foreign Capital Gains / (Loss)</td><td>6049</td><td></td><td></td><td></td><td></td></tr><tr><td>Foreign Sources / Agriculture</td><td>Foreign Other Sources Income / (Loss)</td><td>6059</td><td></td><td></td><td></td><td></td></tr><tr><td>Foreign Sources</td><td>Foreign Salary Income</td><td>6011</td><td>5,000,000</td><td></td><td>5,000,000</td><td></td></tr><tr><td>Agriculture</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Tax Chargeable / Payments</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>116 - Wealth Statement</td><td></td><td></td><td></td><td></td><td></td><td></td></tr></tbody></table>										Salary	Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action	Property	Foreign Income	6000	5,000,000	0	5,000,000		Business	Foreign Property Income / (Loss)	6029					Capital Assets	Foreign Business Income / (Loss)	6039					Other Sources	Foreign Capital Gains / (Loss)	6049					Foreign Sources / Agriculture	Foreign Other Sources Income / (Loss)	6059					Foreign Sources	Foreign Salary Income	6011	5,000,000		5,000,000		Agriculture							Tax Chargeable / Payments							116 - Wealth Statement						
Salary	Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action																																																																									
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116 - Wealth Statement																																																																															

## REQUEST FOR A JOINT MEETING

For the purpose of better appreciation of all issues in correct and true spirit and to create a harmonized approach, we suggest you that a joint meeting (physical or online) between the representatives of KTBA and FBR's Policy, Legal, IT/PRAL Divisions should be fixed (preferably in current week) at mutual convenience. We, at KTBA, will be glad to assist the FBR's technical team and join hand for the earliest resolution of the issues.

We have raised the issues in confidence and solicit your positive approach to resolve the same.

Thanking you,  
Yours sincerely,

  
(Muhammad Zeeshan Merchant)  
President  
Mobile: 0321-8230513  
E-mail: zeeshan@mmmerchant.com

### C.C. to:

- Mr. Qaiser Iqbal, Member-IR (Operations), FBR, Islamabad.
- Mr. Afaq Ahmed Qureshi, Member-IR (Policy), FBR, Islamabad.
- Dr. Ashfaq Ahmad Tunio, Member (Information Technology), FBR, Islamabad.
- Syed Ghulam Abbas Kazmi, Member (Legal), FBR, Islamabad.
- Mr. Aftab Hussain Nagra, President, Pakistan Tax Bar Association.
- Press and Media.

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**Mr. Muhammad Javed Ghani,**  
Chairman,  
Federal Board of Revenue,  
Islamabad.

**Dr. Muhammad Ashfaq Ahmed,**  
Member IR (Operations),  
Federal Board of Revenue,  
Islamabad.

**Ch. Muhammad Tarique,**  
Member-IR (Policy),  
Federal Board of Revenue,  
Islamabad.

**Dr. Faiz Illahi Memon,**  
Member (FATE),  
Federal Board of Revenue,  
Islamabad.

**INCORRECT WORKING OF TAX IN THE RETURN OF INCOME  
(FOR THE TAX YEAR 2020) AND DILEMMA OF TAXPAYERS**

*Dear Sirs,*

This is with reference to above cited subject and the discussion at the meeting held with Federal Board of Revenue (FBR) at FBR'S Office on 17-11-2020 in Islamabad.

During the meeting, it was assured to the delegation of Karachi Tax Bar Association (KTBA) that the computational issues alongwith other issues raised by KTBA would be resolved within one week i.e. the decided timeline. However, regrettably we have to inform you that the incorrect computational issues in the return of income still persist and our Members are facing severe difficulties and are in extreme pressure because of the two main situations, which are:

- (1) they cannot file the returns on the forms presently available on the IRIS, with wrong formulas, calculating erroneous tax; and
- (2) Resurgence of the currently ongoing, since past many days, the dangerous life threatening second wave of Covid-19 which has not only gripped the taxpayers but have also affected the members of KTBA in particular and tax consultants in general and their staff.

With regard to incorrect computation of tax in the return of income, we would like to draw your attention to the following situations:

**INCORRECT COMPUTATION OF TAXABLE INCOME AND TAX  
THEREUPON IN THE CASES OF FOREIGN INCOME UNDER ALL THE HEADS:**

In the cases of Foreign Income and working of Tax thereupon, it is submitted that under every head of (foreign) income, the IRIS is straight away calculating tax applicable for Business Income (for all the heads of foreign income). We would hereunder like to demonstrate two situations and its tax impact for your convenience:

Cont'd ... (2)



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From the perusal of above screenshots, your goodselfs could clearly see and would observe that tax payable in the case of Domestic Salary is worked at Rs.670,000/-, whereas the tax payable in the case of Foreign Salary is worked out at Rs.920,000/-. Thus in the case of Foreign Salary, IRIS has worked out tax payable MORE by Rs.250,000/- which, we submit, is not at all correct.

## **INCOME FROM PROPERTY:**

In the case of Income from Property, assuming Rent in both the cases i.e. Domestic and Foreign both to be at Rs.5,000,000/-. As per law, the taxpayer is allowed deductions available U/s.15A of the Income Tax Ordinance, 2001 (Ordinance), which in the case of Domestic Property Income, IRIS is quite correctly calculating it; whereas, in the case of Foreign Property Income the same working is not being done by IRIS, nor there is any option to insert (to claim) deductions under the Foreign Property Income. Similarly, again the working of tax, by IRIS, is different in both the situations compelling the taxpayers either to file incorrect tax return or not to file the return of income at all and face the consequent penal action thereafter without any fault of the taxpayers and the same (if any) would be highly unjustified under the present circumstances. For the ease of convenience and to explain our point, we are inserting two screenshots of working of income and two screenshots of tax payable for and under both the scenarios:

## **Working of Domestic Income from Property:**

Date	Amortization	Depreciation	Minimum Tax	Option out of PTA	Payment	Company Director	Attachment	Attribute	Verification	Calculate	Report Previous Return
01-Jul-2019 - 30-Jun-2020											
Period											
Year											
Due Date											
Document Date											
Submission Date											
Upd											
Salary											
Property											
Business											
Capital Assets											
Other Sources											
Foreign Sources / Agreements											
Foreign Sources											
Agriculture											
Tax Creditable / Payments											
Deductible Allowances											
Tax Chargeable											
Tax Reductions											
Tax Credits											
Adjustable Tax											
Final / Final / Minimum / Average / Relevant / Reduced Tax											
Computations											
Income / (Loss) from Property											
Total Receipts from Property											
Rent Received or Receivable											
1/10th of amount not adjustable against Rent											
Forfeited Deposit under a Contract for Sale of Property											
Recovery of Unpaid or Recoverable Rent allowed as deduction											
Unpaid Liabilities exceeding three years											
Total Deductions from Property											
1/10th of Rent of Building for Repairs											
Insurance Premium											
Local Rate / Tax / Charge / Cess											
Ground Rent											
Profit on Capital borrowed for investment in Property											
Share in Rental Income Paid to HSPC / Banks											
Rent Collection Expenditure											
Legal Service Charges											
Amount claimed as irrecoverable Rent											
Payment of Liabilities treated as income											

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## Working of Foreign Income from Property:

Period	01-Jul-2019 - 30-Jun-2020	Tax Year	2020	Valid	Due Date	30-Sep-2020	Document Date		Submission Date	
Use										
Date	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification	
• Employment		Select Language: ENGLISH					Calculate		Import Previous Return	
Salary	Description					Code	Total Amount	Amount Exempt from Tax / Subject to Final Tax	Amount Subject to Normal Tax	Action
Property	Foreign Income					6000	5,000,000	0	5,000,000	
Receipts / Deductions	Foreign Property Income / (Loss)					6029	5,000,000		5,000,000	
Business	Foreign Business Income / (Loss)					6026				
Capital Assets	Foreign Capital Gains / (Loss)					6049				
Other Sources	Foreign Other Sources Income / (Loss)					6059				
Foreign Sources / Agriculture	Foreign Salary Income					6011				
Foreign Sources										
Agriculture										
Tax Chargeable / Payments										
Deductible Allowances										
Tax Chargeable										
Tax Reductions										
Tax Credits										
Adjustable Tax										
Final / Fixed / Minimum / Average / Relevant / Reduced Tax										
Computations										

From the perusal of above screenshots, your goodselves could clearly see and observe that in the case of Domestic Property Income, deductions allowable under the law are not only being rightly shown by IRIS and computing tax quite correctly; whereas for the case of Foreign Property Income the same features are missing and tax is being calculated on the gross amount which is incorrect and unlawful.

## Tax Payable in the Case of Domestic Property Income:

Period	01-Jul-2019 - 30-Jun-2020	Tax Year	2020	Valid	Due Date	30-Sep-2020	Document Date		Submission Date	
Use										
Date	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification	
Select Language: ENGLISH										
Calculate Import Previous Return										
Salary	Description					Code	Total Amount	Amount Exempt from Tax / Subject to Final / Ficti Tax	Amount Subject to Normal Tax	Action
Property	Income from Salary					1000				
Receipts / Deductions	Income / (Loss) from Property					2000	4,000,000	0	4,000,000	
Business	Income / (Loss) from Business					3000				
Capital Assets	Gain / (Loss) from Capital Assets					4000				
Other Sources	Income / (Loss) from Other Sources					5000				
Foreign Sources / Agriculture	Foreign Income					6000	0	0	0	
Foreign Sources	Agriculture Income					6100				
Agriculture	Share in untaxed income from ACP					5131				
	Share in Taxed Income from ACP					5141				
Tax Chargeable / Payments	Total Income					9000			4,000,000	
Deductible Allowances	Deductible Allowances					9001				
Tax Chargeable	Taxable Income					9100			4,000,000	
Tax Reductions	Tax Chargeable					9200			320,000	
Tax Credits	Normal Income Tax					920000			320,000	
Adjustable Tax	Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax					920100				
Final / Fixed / Minimum / Average / Relevant / Reduced Tax	WGF					920900				
Computations	Tax Reductions					9300				
	Tax Credits					9320				

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## Tax Payable in the Case of Foreign Property Income:

Period	01-Jul-2019 - 30-Jun-2020	Tax Year	2020	Valid	Due Date	30-Sep-2020	Document Date		Submission Date	*
Use										
Code	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Abolition	Verification	
Employment	Select Language: ENGLISH									
Salary	Calculate Import Previous Return									
Property	Description Code Total Amount Amount Exempt from Tax / Subject to Fixed / Final Tax Amount Subject to Normal Tax Action									
Income from Salary	1000									
Income / (Loss) from Property	2000									
Income / (Loss) from Business	3000									
Gain / (Loss) from Capital Assets	4000									
Income / (Loss) from Other Sources	5000									
Foreign Income	6000	5,000,000	0	5,000,000						
Agriculture Income	6100									
Share in untaxed Income from ACP	3131									
Share in Taxed Income from ACP	3141									
Total Income	9000			5,000,000						
Deductible Allowances	9000									
Taxable Income	9100			5,000,000						
Tax Chargeable	9200			520,000						
Normal Income Tax	920000			520,000						
Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax	920100									
WWF	920300									
Tax Reductions	9300									
Tax Credits	9320									

From the perusal of above screenshots, your goodselves could again clearly see and would observe that the tax calculation in the case of Domestic Property Income is worked at Rs.620,000/-, whereas, the tax payable in the case of Foreign Property Income is worked out at Rs.920,000/-. Thus, in the case of Foreign Property Income, IRIS has worked out tax payable MORE by Rs.300,000/- which, we submit, is not at all correct.

## **INCORRECT COMPUTATION OF TAX ON THE INCOME FROM BAHBOOD CERTIFICATES AND OTHER SUCH YIELDS:**

During the meeting held at FBR on 17-11-2020, it was discussed and rightly agreed that working of tax liability in the cases of yield from Bahbood Certificates, Pensioners Benefit Account and Shuhada Family Welfare Account cannot, as per law, exceed 10% of their yields. However, till today, the working of the tax liability on such yields is still being incorrectly worked out. To demonstrate the same, we hereunder insert the screenshot for the ease of convenience and show the defect in the return. For the purposes of working, the Income from Salary is taken to be at Rs.5,000,000/- while the yield from Bahbood Certificates is taken to be at Rs.736,000/-.

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## **Tax Payable in the Case of Salary and Bahhood Certificates:**

Period	01-Jul-2019 - 30-Jun-2020	Tax Year	2020	Yield		Due Date	30-Sep-2020	Document Date		Submission Date	
Up to											
Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification		
Employment	Select Language: ENGLISH										
Salary	Description										
Property	Income from Salary	1000	5,000,000								
Business	Income / (Loss) from Property	2000									
Capital Assets	Income / (Loss) from Business	3000									
Capital Assets	Gains / (Loss) from Capital Assets	4000									
Receipts / Collections	Income / (Loss) from Other Sources	5000	736,000								
Foreign Sources / Agriculture	Foreign Income	6000									
Foreign Sources / Agriculture	Agriculture Income	7100									
Tax Chargeable / Payments	Share in Untaxed Income from AOP	8131									
Deductible Allowances	Share in Taxed Income from AOP	9141									
Tax Chargeable	Total Income	9000								5,736,000	
Tax Reductions	Deductible Allowances	9009									
Tax Credits	Taxable Income	9100								5,736,000	
Adjustable Tax	Tax Chargeable	9200								801,982	
Final / Fixed / Minimum / Average / Relevant / Reduced Tax	Normal Income Tax	920000								835,600	
Final / Fixed / Minimum / Average / Relevant / Reduced Tax	Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax	920100									
Compositions	WWP	920500									
116 - Wealth Statement	Tax Reductions	9300								33,618	
	Tax Credits	9320									

From the perusal of above, your good selves would observe that in the case of income from Salary and Bahhood Certificates (both) the total tax payable is being worked out at Rs.801,982/- after calculating tax reduction of Rs.33,618/-. The tax in case of Salary Income of Rs.5,000,000/- as per existing rates comes to Rs.670,000/- whereas the tax inclusive of yield from Bahhood Certificates is being worked out at Rs.801,982/- meaning thereby the differential tax (is only) because of Bahhood Certificates income of Rs.131,982/- (801,982 - 670,000) which if calculated in percentile terms comes to 16.46% (131,982 / 801,982 x 100). As you are already aware, that tax on yield from Bahhood Certificates under no circumstances should exceed 10% whereas the return is still defective on this point and is working the tax liability incorrectly.

### **CLARIFICATION IN CASE OF COMMERCIAL IMPORTERS**

#### **HAVING OPENING STOCK IS STILL AWAITED:**

As you know that there is paradigm change or shift in cases of Commercial Importers especially and all those cases which till Tax Year 2019 were falling under Final Tax Regime and from current Tax Year (i.e. Tax Year 2020) they fall under the Normal Tax Regime and the tax deducted, on Import, is now liable to be treated as Minimum Tax.

In this regard, it was decided that FBR would issue clarification of tax treatment vis-à-vis filling-up of return form where Commercial Importers have Opening Stock for the Tax Year 2020 because of the reason that on the Opening Stock, tax during the Tax Year 2019 has already been paid and the tax so paid is Final Tax and no further tax is required to be paid on such imports/stocks.

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**Situation No. 2: Computation of Tax where Sales and Other Expenses are shown under "Amount Exempt from Tax / Subject to Fixed / Final Tax":**

Period: 01-Jul-2019 - 30-Jun-2020		Tax Year: 2020	VOID	Due Date: 30-Sep-2020	Document Date:	Submission Date:
Unit:	Amortization:	Disposal:	Minimum Tax:	Option out of PTR:	Payment:	Company Director:
Language:	English					
Code	Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
1000	Income from Salary					
2000	Income / (Loss) from Property					
3000	Income / (Loss) from Business		50,000,000	50,000,000	0	
4000	Gains / (Loss) from Capital Assets					
5000	Income / (Loss) from Other Sources					
6000	Foreign Income					
7000	Agriculture Income					
8000	Share in unlisted income from AOP					
9000	Share in Taxed Income from AOP					
9000	Total Income					
9000	Deductible Allowances					
9100	Taxable Income					
9200	Tax Chargeable					
920000	Normal Income Tax					
920100	Final / Fixed / Minimum / Average / Relevant / Reduced Income Tax					
920900	WWT					
9300	Tax Reductions					
9300	Tax Credits					

Under Situation No.2, wherein all the amount are shown under the column "Amount Exempt from Tax / Subject to Fixed / Final Tax", no tax payable is worked out by IRIS, which in our view is the correct working. However, in the absence of any clarification, our members comprehend that in future tax offices would issue notices and there will be unnecessary complications, again without any fault of the taxpayer.

We further submit that much more complications arise when in addition to Opening Stock, there are imports purchases during the current year (Tax Year 2020) and the tax on those import purchases are minimum tax. Therefore, it is imperative that either a Circular to this effect be issued forthwith (which was committed) and/or FBR should inform the taxpayers as to how to fill the columns of return comprising the Commercial Importers.

**NO COLUMN FOR CASES RELATING TO BUILDERS AND DEVELOPERS – SECTION 100D:**

As you know that, to boost the economy of Pakistan, the Honorable Prime Minister of Pakistan rolled-out a Package for Construction Sector from Tax Year 2020 and onwards, enabling them to file the returns on the basis of fixed tax as per Eleventh Schedule. However, surprisingly, the return of income does not cater for those who opt for the said Package/Scheme. Therefore, it is earnestly requested to either incorporate such provision in the return of income and/or issue a simplified return of income/statement for those who fall under section 100D of the Ordinance.

Apart from the above few situations, there are many other situations which are still missing from the return of income making the return defective and not workable. The issues that need your urgent attention in addition to those mentioned hereinabove are as under:

Cont'd ... (9)

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Date : December 02, 2020

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- (1) Incorrect working of tax in the cases of CNG Stations.
- (2) Column for tax deducted U/s. 233A of the Ordinance is still missing.
- (3) Column for tax deducted U/s. 236W of the Ordinance is still missing.
- (4) Small Company rate of tax issue is still unresolved.
- (5) Column for Capital Gain on disposal of securities pertaining to mutual fund and REIT @10% as per section 37A is still missing.
- (6) Working of Alternate Corporate Tax vis-à-vis Minimum Tax is still incorrect.
- (7) It is noticed that when the printout of the return is taken out, all of a sudden, now the figures appearing in all the columns are being printed without any commas in between while the same are being displayed properly while reading online. For example the amount of One Million is shown as 1000000 instead of 1,000,000 which were rightly shown up to now. For this it is requested that the figures should appear in "number format" as before with commas in between instead of general format.

#### **RESURGENCE OF COVID-19 CASES DUE TO SECOND WAVE AND ITS CHALLENGES:**

As aware there is a very serious and significant spike in the spread of Covid-19 cases in Karachi and this is also clear from the fact that Covid-19 hospital facilities are nearly full in Karachi and Government of Pakistan has imposed Stage-2 Covid-19 Guidelines.

In addition, Government of Sindh in pursuance of NCOC direction letters No. 805/A/NCOC-01 dated November 06, 2020 and NCOC direction letter No. 801/A/NCOC-01 dated November 11, 2020 has issued orders No. SOJI/8-1 (04) STAGE-2 NPI dated November 23, 2020 and ordered:

- Closure of all businesses on Friday and Sunday.
- Work from home for 50% staff.
- Reduced work timings up to 08:00 PM only.

Further, the FBR vide its Circular C. No 1(2) S&M/2020 dated November 12, 2020 has issued directions for operation with 50% staff and has also directed that the staff of over the age of 50 years should work from home. This in our view is very prudent decision.

Through Notification dated November 06, 2020 serious restrictions have been imposed on public transports that have been ordered to carry only 1/3rd of their normal passenger load.

In Karachi, we have reports of our members and their staffs are being affected by Covid-19 and these numbers are getting significant day by day (even the Vice President of KTBA has tested positive today). Once any of our members or their staff are diagnosed Covid-19 Positive, the whole office goes into self-isolation and the office is closed. Same is the case with the clients of our members.

Cont'd ... (10)

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Page -: (10) :-

In addition, the tax advisors offices usually worked till late evening up to 10.00 PM or even more but now there is a restriction to close offices at 8.00 PM sharp. Further, most of the tax advisors and their staff are of 50 years and above.

Although our members are still working very hard during these extraordinary extreme and testing time, however, due to non-removal of above irritants and rising Covid-19 cases, our members are unable to file returns of income which could transpire in low number of returns that have been filed till date.

We have mentioned hereinabove few anomalies, of course out of many that may be known and come to our knowledge as and when appropriate fields are fed by our members, that may also need correction/exclusion to make the return in line with the provision of law. In view of the above, your urgent attention is solicited and redressal is requested so that our members can file the return of income with peace of mind. Needless to state that the return of income is still defective and incomplete as certain fields are missing to-date. The KTBA is of the firm view that 90-days' time prescribed in section 118 to file return will not start until all defects in the return of income are completely removed and the return is error free and taken to have been finalized. Further, we would like to mention here that, to incorporate/correct certain fields/errors, appropriate Rules need to be amended which can only be made through a notification as required U/s. 237(3) of the Ordinance. Sir, under such circumstances, you will appreciate that, the time is of essence!

Thanking you,  
Yours sincerely,

  
(Muhammad Zeeshan Merchant)

President

Mobile: +92-321-8230513

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C.C to :

- i. **Mr. Badaruddin Ahmed Qureshi**, CCIR, LTO, Karachi.
- ii. **Mr. Abdul Hameed Memon**, CCIR, MTO, Karachi
- iii. **Dr. Aftab Imam**, CCIR, CTO, Karachi.
- iv. **Mr. Nazir Ahmed Shoro**, CCIR, RTO-I, Karachi.
- v. **Mr. Amir Ali Khan Talpur**, CCIR, RTO-II, Karachi.
- vi. **Press and Media**

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IN THE LAHORE HIGH COURT LAHORE  
JUDICIAL DEPARTMENT

Examiner  
Copy Supply Section  
Lahore High Court, Lahore

Case No. Writ Petition No. 57220 of 2021.

Shahid Latif Khliji

Versus Federation of Pakistan, etc.

S. No of order /proceedings	Date of order of proceeding	Order with signature of Judge, and that of Parties or counsel, where necessary
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24.09.2021

M/s Chaudhary Anwaar-ul-Haq Arif, Rana Munir Hussain, Tahir Mehmood Butt, Muhammad Ijaz Ali Bhatti, Zahid Attique Chaudhry and Ch. Qamar-uz-Zaman, Advocates for the petitioner.

Malik Navid Sohail, Additional Attorney General for Pakistan.

Mr. Monim Sultan, Assistant Attorney General for Pakistan.

Mr. Abdul Muqtadir Khan, Advocate for the respondents/FBR.

Dr. Ishtiaq Ahmad Khan, Commissioner Inland Revenue (Legal), LTU, Lahore.

Mr. Tariq Iqbal, Secretary, Police Wing, Islamabad.

Mr. Noman Malik, Chief IT, FBR, Islamabad.

Petitioner is aggrieved of inaction on the part of respondent-FBR for not addressing the issue raised through representation (Annex-C) filed by the petitioner and another representation (Annex-B) filed by Pakistan Tax Bar Association.

Learned counsel for the petitioner submits that hardship being faced by the lawyer community is that their income relatable to Section 153(1)(b) of the Income Tax Ordinance, 2001 ("Ordinance of 2001") is being wrongly calculated by the system, while accepting the return, filed under Section 114 of the Ordinance of 2001. It is explained that the tax withheld under the income, *ibid*, is treated as minimum income. The concept of minimum income is that withheld tax shall not be refunded, however, it is adjustable, if paid in excess towards the higher income. It is submitted that formula imposed by the system is against the spirit of Section 120 of the Ordinance of 2001, which allows the



taxpayer to make his own declaration, which shall be treated as an Assessment Order by the operation of law.

2. The last submission appears to be serious legal question. The disputes relating to the calculation of tax and its apportionment relate to the system, which cannot be looked into by this Court in constitutional jurisdiction, however, this Court can certainly look into the matter to the extent of enforcing the spirit of law.

In this age, use of computer and automation cannot be made redundant. However, the regulators introducing such system have to be careful and should ensure that spirit of law is not violated including statutory rights of the taxpayer conferred by the relevant law.

3. Representatives of the respondents/FBR are present in Court in pursuance of order dated 22.09.2021. At the outset, it is stated that petitioner shall be provided opportunity of being heard on 27.09.2021, on the pending representation, which shall be decided expeditiously, enabling the petitioner to file Return within the stipulated time. In case of hardship, petitioner and other similarly placed persons shall be accommodated accordingly.

4. The spirit of law cannot be sacrificed on the altar of automation, as right of self-assessment and filing of Return is bestowed by the statute itself, therefore, a simple rejection, by system, of Return appears to be against the spirit of law.

Confronted with this, Mr. Nouman Malik, Chief IT FBR, present in Court, has undertaken to look into this issue, for all the taxpayers, and resolve the same by amendment in IRS system or otherwise, after following the due procedure.

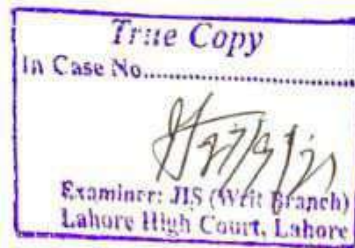
NOTES  
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22.09.2021

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5. On this undertaking, petition being fructified is disposed of for the time being.

(Shahid Jamil Khan)  
Judge



Copy Petition No. 303/11  
Case No. \_\_\_\_\_  
Submission Date: 24.9.21  
No. of Pages 8  
Fee No. 21  
Original Fee 12  
Total Fee 22.9.21  
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27/9/21