

Ref : KTBA/10.2022/162

Date : October 27, 2022

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

**Challenges in filling 7E Details and Unresolved Issues in IRIS
Income Tax Return / Wealth Statement; TY 2022
Due on 31st October 2022**

Dear Asim Sahab,

This is in continuation of our earlier letters numbered KTBA/09.2022/137 dated September 06, 2022 and KTBA/09/2022/148 dated September 23, 2022 on the subject in which we highlighted numerous errors and mistakes in the return forms uploaded on IRIS both technical, related to Information Technology (IT), and legal, owing to which the tax filers were deterred and unable to file their returns.

2- Through this letter, KTBA would like to place on record its due acknowledgement, at the outset, that the following issues raised by it, in its earlier letters have been given the desired attention and have duly been resolved by the FBR team:

ISSUES RESOLVED:

- a. Final Taxation of Profit on Debt/Interest Income on Government Securities has been made subject to FTR on IRIS @ 15% as is envisaged under clause 20 of Part III of Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance) for the Tax Year 2022.
- b. IRIS has been enabled to import the details from Wealth Statements, which were revised last year under Section 116(3) of the Ordinance.
- c. Option list in drop downs for country and currency under Code "7006" having description "Investment (Non-Business) (Account / Annuity / Bond / Certificate / Debenture / Deposit / Fund / Instrument / Policy / Share / Stock / Unit, etc.)" has been made available for filing the Foreign Income & Assets Statement under section 116A(1) of the Ordinance.
- d. Disclosure of opening wealth in "Reconciliation of Net Assets" based on Value of net assets under code '703002' has been disabled after the taxpayers select his residency status as "non-resident" for Tax Year 2022, which was not disabled earlier.
- e. Column of Tax Credit under Section 64D for POS Machines (Code 9332), tax credit under Section 65F (code 931901 and tax credit under Section 103 (code 9320), which were inadvertently available in the Tax returns of Salaried Individuals, have been disabled.
- f. The reduced rate of withholding of income tax on Contract Receipts under section 153 from 7.5% to 7% for Tax Year 2022 has now been made available on IRIS.
- g. Erroneous Tax Calculation on Gain of Immovable Property on IRIS portal in violation of section 37(1A) of the Ordinance has been taken care of.
- h. Incorrect Tax Calculation on Profit on Debt from Behbood Certificates/ Pensioner's Benefit Account/ Shuhada Family Welfare Account in violation of clause (6) of Part-III, 2nd Schedule of the Income Tax Ordinance, 2001 has been taken care of and capped at 10 percent of such Profit/ Yield.



ISSUES UNRESOLVED:

3- At the same time it is, however, noted with concern that other issues, which demanded not less than equal attention have not been considered as yet whilst the last date is drawn closer. These are enlisted hereunder:

3.1- INACTIVE COLUMN FOR REFUND ADJUSTMENT:

3.1.1- The very first issue, which has remained unaddressed despite our consecutive correspondences with your office in the last two months with regard to the disapproval of adjustment of bona fide tax refunds to taxpayers. The Taxpayers and the legal fraternity are very much perturbed with the inactive in the System.

3.1.2- The issue must be given its due cognizance and the FBR needs to understand that not paying refunds to the taxpayer is essentially the same as not paying the taxes to the FBR. The solitary distinction, however, available to the FBR in such a case is that it has all the possible powers to recover what is due to it, while on the other hand the taxpayer is left completely hapless and helpless if the FBR chooses not to payback its refunds. This is highly preposterous and unprecedented in any civilized society or in any of the developed tax regimes in the world.

3.1.3- This has understandably bred only discontentment and resentment amongst the taxpayers towards the sole regulator of federal taxes in the country, which can unimaginably afford to act entirely indifferently to the plight of its own taxpayers and chose not to even respond to the letters and applications, let alone the payment of refunds. The unfortunate mindset is beset with this grim situation in cases of all the millions of taxpayers that they cannot get their money back.

3.1.4- It is therefore emphasized once again, to please pay heed to the issue as any failure to do so and failure to bring the desired and necessary changes in IRIS will drag the issue closer to snatching of a fundamental right from the taxpayer.

3.1.5- The draft Return Forms which were issued through SRO 820(I)/2022, dated 21st June 2022 in pursuance of section 237(3) of Ordinance did contain the row bearing code 92101 for "refund adjustment of other year(s) against demand of the current year". The same was also available in the final version of the Tax Return, which 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, which when uploaded electronically on IRIS didn't carry the said column for adjustment. It is obviously an afterthought and the situation is the same that the Tab is now there but is not catering the refund adjustment.

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

3.2.1- The second issue, which is completely unattended is the behavior of the IRIS web portal that is presently computing and attributing income associated to provisions of Section 153 on certain predefined and programmed formula, which results in unwarranted higher taxation on the same income of the same taxpayer.

3.2.2- It was vehemently suggested that taxpayers should be allowed to compute and attribute their incomes based on facts of their cases instead of prefixed tabs of the System. Relevant fields for entering the figures should be kept unmanned and opened for taxpayers.



