

**Settlement of over Rs7bn collection, FBR-Sindh govt row set to worsen**

KARACHI: A tug of war between federal and provincial tax authorities over the settlement of Rs. 7.054 billion is going to be exacerbated as the Federal Board of Revenue (FBR) has decided to take up 'collection charges' issue with Sindh government in upcoming meeting with provincial secretaries of finance and excise.

According to FBR sources, the Sindh government collects income tax on Motor Vehicle Tax (MVT) and on the registration of new and used vehicles as withholding agent but did not deposit the same into national kitty during 2012, 2015 and 2016.

Moreover, they said that provincial government despite receiving several letters from the FBR remained reluctant to provide complete records of motor vehicles registration and MVT that forced the federal tax authority to deduct legitimate revenue from provincial consolidated fund for tax years 2012, 2015 and 2016.

Consequently, the provincial Excise and Taxation (E&T) department has started deducting 2 percent from the revenue collected on behalf of FBR as withholding agent on MVT and on the registration of new and used vehicles under the head of collection charges, which the FBR sources termed as illegal.

They said that under section 168(6) of Income Tax Ordinance, 2001, no amount shall be deducted on account of services charges from the tax withheld or collected by any person under the provisions of the ordinance.

They said that Sindh E&T department had been collecting 2 percent collection charges since 2015 and the accumulated amount of this unfair deduction rose to Rs 400 million.

Furthermore, they said that Tribunal had directed the Sindh government during last hearing held on March 25, 2019 to provide complete records to the FBR and make final reconciliation before next hearing to be held on April 16, 2019.

For the purpose, the FBR team headed by member IR (operations) is going to meet provincial Secretaries of finance and excise on April 15, 2019 where the issue of Collection Charges' will be taken up to get Rs. 400 million back from provincial treasury.

On the other hand, official sources in Sindh government dispelled the impression of not providing records to the FBR, saying that more than 10 times the records had been given but FBR was reluctant to settle the issue and claimed that FBR deducted Rs. 5.2 billion only in 2016 from the account no 1 of provincial consolidated fund against the fictitious number of 1.473 million motor vehicle registration in a year, which was reported in a newspaper.

They termed the said number of motor vehicle registration in a year exaggerated, saying that E&T department had never registered such myriad number of passenger vehicles in a year. They said that in 2017, the then chairman FBR had directed the concerned tax office to reconcile it in a month but the Sindh government was still waiting for positive response from FBR.

Replying to a question, they said that Sindh E&T department had been deducting 2 percent collection charges on total collection made under the heads of MVT and on the registration of new and used vehicles for last eight years and FBR had no issue and claimed that now this issue was being taken up by FBR with the aim to sabotage the fair process of reconciliation.

They termed the issue of collection charges petty, saying that the Pakistan customs was collecting Rs. 120 per challan as service charges on the collection of infrastructure cess on behalf of Sindh E&T department and if FBR considered it legal then how the collection charges of Sindh E&T was unlawful. They said that Sindh chief minister also directed provincial E&T minister to follow the case in Tribunal and gave his consent to attend next hearing to be held on April 16, 2019.

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