

FBR suo motu powers to collect sales tax scrapped

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LAHORE: The Lahore High Court on Wednesday scrapped the suo motu powers of the Federal Board of Revenue (FBR) to collect sales tax from the business community without registering them under the Sales Tax Act 1990 and Sales Tax Rules 2006.

The petitioners' through their counsel argued that the business community of the country is fighting for justice against this suo motu powers of the Federal Board of Revenue for the last nine years.

In order to achieve tax collection targets, the FBR was collecting the sales tax from the business community without registering them and without giving any notice of recovery to them, Ajmal Khan, Advocate said, adding that this practice of the Federal Board of Revenue is tantamount to harassment of business sector which is already paying huge taxes and duties to the government.

The court held that the FBR could not collect sales tax from any business person without registering him. The Federal Board of Revenue will register the business community as taxpayers and then will proceed for collection of sale tax under section 3 of Sale Tax Act 1990.

In response to the Federal Board of Revenue assertions, the petitioner pointed out that there was section 19 in the act which empowers the FBR for compulsory registration but this section was omitted and was inserted again in the Sales Tax Rules 2006. Under rule 6 sub rule 4 of the STR 2006, the Federal Board of Revenue is bound firstly to register a business man compulsory and then it will proceed further under section 3 and 7 by granting the registered person an opportunity of raising objections on the FBR demand notices.

After hearing the arguments, the two-member bench set aside the powers of the Federal Board of Revenue to collect sales tax from the business community without registering them under Sale Tax Act 1990 and Sale Tax Rules 2006. It added that all such collections of Federal Board of Revenue from unregistered businessman will be unlawful.