

**FBR announces Audit Policy, 2018**

ISLAMABAD: The Federal Board of Revenue (FBR) on Friday announced rules and procedures for the selection of audit cases under the new Audit Policy, 2018.

The FBR notified that “in line with the earlier practice, this year for Audit Policy, 2018, the FBR would do a parametric selection.” The FBR plans to run data analytics on available population based on “identified risk parameters” to minimise the chances of selecting compliant taxpayers.

The revenue authority has also listed the applicable exclusions for cases under the income tax, sales tax and federal excise duty (FED) regimes where an audit is not required.

The exclusions under the income tax regime are applicable to all cases selected for audit by the Commissioners Inland Revenue or Director Intelligence and Investigation (IR) under Section 177 of the Income Tax Ordinance (ITO), 2001, in the preceding three tax years: 2014, 2015 and 2016. In addition to these, cases selected under the 214D of the ITO for any of the preceding three tax years ie 2014, 2015 and 2016 will not be selected for audit under the income tax regime.

Furthermore, for cases where income chargeable to tax under the head salary exceeds 50 per cent of the taxable income – barring those with business income – has also been excluded from an audit. Finally, cases, where entire income is covered under Final Tax Regime (FTR), have also been excluded.

Under the sales tax regime, cases selected under Section 25, 38 of Sales Tax Act, 1990 by either Commissioner Inland Revenue or Director I&I (IR) have been exempted for periods corresponding to the accounting period adopted for the purpose of return of income under the ITO for 2016; provided only a part of the accounting period had been audited already, the relevant authority may select the remaining period for audit.

Secondly, sales tax cases selected under Section 72B through computer ballot held under Taxpayers’ Audit Policy, 2017, cases of Steel Melters and Steel Re-rollers -- paying sales tax under the Sales Tax Special Procedure Rules, 2007 and Federal, Provincial and Local Government Departments have also been exempted.

Under the FED regime, however, cases selected under Section 46 of the Federal Excise Act, 2005 by Commissioner Inland Revenue or Director I&I (IR) for tax periods corresponding to the accounting period adopted for the purpose of return of income under the Income Tax Ordinance, 2001 for the tax year 2016 have been exempted; provided only part of the said accounting period had been audited otherwise the relevant authority may select the remaining period for audit.

In addition to this, cases already selected for audit under Section 42B through computer ballot held under Taxpayers’ Audit Policy, 2017 have been exempted under the FED regime.

In order to facilitate taxpayers, the FBR has decided that the tax periods for sales tax and FED audit would be the corresponding accounting period adopted for the purpose of return of income under the ITO. Previously, financial year was selected as tax period for all taxpayers causing undue hardship to those opting special tax years for accounting purposes.

The FBR has also decided that taxpayers who have been audited in Income Tax in any of the preceding three tax years: 2014, 2015 and 2016 and salaried individuals would be excluded from this year's ballot.

The FBR, under the Audit Policy, 2018, plans to select an overall 2.3pc of the total cases available after the exclusions for audit in the income tax, sales tax and FED. The policy document available online provides a detailed list of parameters that have been used for selection of audit cases.

The Audit Policy, 2018 and National Tax Numbers/CNIC of cases selected for audit have been posted online on FBR's website.

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