

FBR asks SECP to ensure correct, transparent statements by companies

ISLAMABAD: The Federal Board of Revenue (FBR) has asked the Securities and Exchange Commission of Pakistan (SECP) to ensure correct and transparent submission of financial statements by the companies.

In a letter to the SECP chairman, FBR Chairman Muhammad Shabbar Zaidi has requested him to ensure correct and transparent submission of financial statements by the companies. It has been observed, says the letter, that in many cases the quality of accounts/financial statements prepared by the financial businesses, especially in cases of private limited companies, is not in line with the quality standards and in many cases huge additions to income are made, which are in many cases non-defensible in taxation proceedings.

The letter says the quality of 'audit' by the taxation officers is not as per the best practices. The FBR is improving the system and shall seek the institute's assistance or guidance on the matter.

“The extension in the date of filing of returns for companies, also for Tax Year 2018, has only been given to provide an opportunity to the companies, especially private companies, to review their accounts and file improved position if required. In the past, the FBR's stance on the matter was different and as per information, no case was ever referred to for any disciplinary proceedings against the auditors by the institute or management of the companies by SECP to FBR. Now we intend to act diligently in the matter,” said the letter.

The government has initiated an overall reform package for improving documentation and quality of financial accounting which form the basis of taxation. The accounts prepared under the Companies Ordinance, 2016 form the basis for the same. However, this objective can only be achieved once the quality of annual financial statements is in line with the international best practices.

It is therefore suggested that special and concerted emphasis be laid down by both the addressee institutions for assuring that the financial statements furnished reflect correct financial position and there is no possibility of any understatement, including non-compliance with the laws of taxation as prevalent in Pakistan especially withholding provisions.

In order to achieve this task, it is advised that immediate actions be undertaken to start the reformed process. The FBR chairman stated that necessary instructions be issued for the same to the relevant field formations. Furthermore, if allowed under the law, the investigations and disciplinary proceedings initiated against the directors and the auditors by SECP and the Institute respectively, if any, are shared with the Federal Board of Revenue, if possible, under the law, in order to ensure proper accounting of income and amount of taxes due.

He assured that such information will remain confidential. He also suggested an urgent meeting with the SECP chairman in this regard.

Mehtab Haider