

Shahnawaz Akhter

FBR warns 125,000 non-filers of penalties

KARACHI: The Federal Board of Revenue (FBR) has decided to take ‘penal’ action against more than 125,000 noncompliant individuals who are yet to file returns for the tax year 2018, sources said.

The sources said individuals who had received notices for non-filing of income tax returns for the tax year 2018 are allowed to file their returns with payment of nominal amount of fine to avoid penalties.

Documents available with The News showed that the Regional Tax Office (RTO)-II Karachi identified more than 125,000 individuals, who filed their income tax returns for tax year 2017, but they couldn’t file their income tax returns for tax year 2018.

Last date for returns filing of tax year 2019 is falling on October 31.

The sources said the RTO-II Karachi issued notices to the non-compliant taxpayers to file their income tax returns and wealth statement for tax year 2018.

“In case the identified persons deliberately failed to comply with the legal requirement then provisions related to fine and penalties would be invoked,” an official at the tax office said.

The FBR received around 2.64 million income tax returns for tax year 2018, which was 1.84 million for tax year 2017.

The Income Tax Ordinance 2001 defines different penalties for non-compliance of annual return filing and submission of wealth statement.

One of the ‘harsh’ penalties under the ordinance is one year jail term for deliberately denying filing of income tax returns and wealth statement.

During the past three years, the FBR launched various strategies for increasing the number of income tax return filers. These efforts included encouraging salaried and business individuals to comply with legal obligation.

Besides, the FBR also increased rates of withholding tax on various transactions for non-filers on income tax returns.

These initiatives resulted in the record return filing for tax year 2018.

However, it was bothersome for the tax authorities that large number of return filers of previous year had not filed their returns in the subsequent year.

The sources said it was observed that number of individuals filed their income tax returns to avoid high tax rate while making transactions.

The sources said many people had filed income tax returns for tax year 2018 in order to ensure their entry into active taxpayers list and avoid 100 percent higher withholding tax rate.

The filing deadlines were extended several times. The high tax rate followed amendments through the Finance Act, 2019 and was applicable from July 1, 2019.