

Industry refunds, Tax experts propose materialising draft of Feb 2013

LAHORE: Tax practitioners have proposed to put into effect the Sales Tax General Order which was drafted and shared with the field formations back in February 2013 to mechanize the processing and releasing of industry refunds.

They said the FBR had sought suggestions from the RTOs, FTOs and LTUs etc. However, no development has taken place despite the lapse of six years. In other words, they said, the FBR has no law on such a big issue till date. The said draft authorizes additional commissioners to overrule any objection raised by the software while tagging any refund as ‘deferred amount’.

It may be noted that the prevailing Sales Tax General Order is silent over how to process a claim being ‘deferred’ by the software automatically. “No such provision of manual processing of deferred amounts is available under the existing laws,” they added.

Shahid Pervaiz Jami, a leading tax expert, said the draft of February 2013 has listed down all possible circumstances necessary to take into account by the authorized officer in order to overrule the objections raised by the software. He said the FBR should get it vetted from the associations of relevant exporting industries and chambers of commerce and industry and put it into effect accordingly.

It is worth noting that release of sales tax refund has become an issue for the exporting sectors. The departmental software for processing refunds creates troubles for exporters as it has such in-build mechanism that curtails refund claims to half automatically while processing it at a snail’s pace. The curtailing amount is marked as ‘deferred amount’. Interestingly, the software never rejects a refund claim, as any such situation leads to litigation on the part of claimant. Therefore, the department avoids rejecting any claim. Instead, it has equipped the software with a program which defers half of the refund claim in one go.

Tax experts are of the view that piling up of deferred amounts always leads to corruption, as the claimant prefers to bribe to get his claim clear. It may be noted that the FBR had recently issued a circular for processing of refund claims. However, the said letter was in follow up of a meeting held in September with Finance Minister in the Chair. It means that the FBR was not serious in clearance of refunds as the tax bureaucracy held the letter for two months in order to show inflated revenues during the first half of the fiscal year.

Tax experts say that the government’s commitment of paying refunds is merely a lip service and seriousness of the Board can only be established if it puts into effect the draft of February 2013 without any further delay.

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