

FBR revokes exemption for importers from taxes on profit

KARACHI: The Federal Board of Revenue (FBR) has withdrawn exemption for importers and certain other businesses from paying taxes on their earnings under the new minimum tax regime, requiring them to file returns and wealth statements till September this year, a senior official said on Thursday.

Badaruddin Ahmed Qureshi, chief commissioner of Regional Tax Office-II, Karachi said all the taxpayers brought into the minimum tax regime need to file their income tax returns and wealth statement for the tax year 2020 in September this year.

“On the basis of filed returns by these taxpayers the FBR would examine their income,” Qureshi said, addressing a seminar organised by Karachi Tax Bar Association (KTBA). The tax official said importers need to provide complete records of their transactions following the introduction of minimum tax regime. Final tax regime (FTR) has been withdrawn on certain transactions through the Finance Act 2019 and replaced with minimum tax regime.

Under the minimum tax regime, the taxpayers need to provide records of transactions along with their returns and statements.

Previously, taxpayers availing FTR were enjoying comprehensive immunity from questioning by the tax authorities. Entities involved in certain transactions were not required to pay tax on their actual profit. Instead, the tax collected or deducted on these transactions was treated as final tax liability. The regime was available to commercial importers, suppliers of goods, contractors, brokers, individuals earning income from compressed natural gas stations.

The tax collected or deducted is now treated as minimum tax liability, except for exporters, individuals winning prizes and sellers of petroleum products. The measure has been designed as a first step for gradual phasing out of the final tax regime and transition to income-based taxation for all individuals.

Earlier, a presentation was made by member KTBA on ‘Minimum Tax Implications after the Finance Act 2019.

It was informed that tax required to be collected on import of goods that were sold in the same conditions as they were when imported was treated as final tax.

The Finance Act 2018 brought a substantive conceptual shift whereby such tax collection was made minimum tax. Later, the original position was restored. The Finance Act 2019, however, again introduced amendments through which tax collection at import stage was made minimum tax instead of final tax.

“As a result of the change, commercial importers are now required to compute their financial results for comparison of tax on profits with minimum tax.”

Due to amendments made in the statute, commercial importers are now required to file return of income instead a filing FTR statement.

Tax practitioners said after the amendments the tax authorities would raise questions regarding transfer pricing on the basis of valuation of imported goods declared at the customs clearance stage.