

### **FBR, Sindh authority fail to resolve tax collection issue**

KARACHI: Federal and Sindh tax authorities have failed to resolve a matter concerning the latter's refusal to operate as a withholding agent, sources said on Thursday.

Sources said a meeting between federal and provincial tax authorities over the collection of withholding tax remained inconclusive. The matter is likely to be taken up at the government level now, they said.

The officials of Regional Tax Office (RTO-II) Karachi, a revenue collecting arm of the Federal Board of Revenue (FBR) and Sindh Excise and Taxation Department, discussed the collection of withholding tax on registration of motor vehicles during the meeting.

The provincial motor vehicle registration authority stopped the collection on behalf of the FBR after dispute over outstanding payment.

A senior official at the RTO-II Karachi said the meeting ended without yielding any results.

"The matter would be taken at the FBR chairman level regarding the collection of withholding tax and remaining recovery from Sindh excise department," the official added.

However, sources in Sindh excise department said the provincial authorities put certain conditions for resuming collection of withholding tax.

The provincial motor vehicle authority collects tax as withholding agent on registration of new motor vehicles and transfer of registration. It collects withholding tax under the Income Tax Ordinance, 2001.

The excise and taxation department stopped the withholding tax referring the Sindh cabinet decision.

"Sindh has decided to discontinue the collection of withholding tax, collected by excise, taxation and narcotics control department government of Sindh with effect from July 1," the department said then. "This decision was taken in the light of the decision of Sindh cabinet held on February 19."

The official at the RTO-II Karachi said any action against provincial authorities for violating provisions of Income Tax Ordinance, 2001 would be initiated during next month as the payment of July would be due on August 15.

The official further said as per the law withholding agent cannot refuse to collect tax on behalf of the FBR.

Sources said a tax office conducted scrutiny of imported vehicles during the fiscal year of 2018/19 and identified a huge number of imported vehicles were registered with different names instead of names appearing on the import documents. The tax department obtained all the records of imported vehicles from customs authorities for detailed scrutiny. The tax office also asked the provincial excise department to provide same details.

However, on the basis of partial details provided by the provincial authorities the tax office identified huge discrepancies in collection of withholding tax.

"An estimated Rs10 billion was identified as recoverable amount from Sindh excise department," said a FBR official. "An amount of Rs6 billion has been recovered through provincial account with the State Bank of Pakistan."