

LTU Karachi rejects favouring big firms in tax refunds

KARACHI: Large Taxpayers Unit (LTU) Karachi has rejected allegations of giving undue benefit to some corporate entities in the payment of income tax refunds, officials said on Tuesday.

The Federal Board of Revenue (FBR) has asked the LTU Karachi to explain questions raised by a member national assembly (MNA) regarding alleged favoritism of tax authorities in releasing income tax refunds to few corporate entities.

MNA Shaza Fatima Khawaja had raised questions on the issuance of income tax refunds worth Rs16 billion in the tenure of former FBR chairman during the period between May 2019 till April 2020. Around Rs10 billion as income tax refunds out of total amount were issued by the LTU Karachi to corporate entities mentioned by the MNA.

The sources at the LTU Karachi said the taxpayers mentioned by the MNA were high volume entities and tax compliant. The unit explained that the tax refunds were issued as per income tax laws as it was taxpayers' right to receive their stuck refunds.

The sources said the issuance of refunds had been dealt as per law. They further said many tax issues were always involved for almost all tax years. These issues are settled at the level of different appellate fora.

They said that field formations always tried to create demand, collect taxes; however, in certain cases, the assessment orders are revised by the appellate fora and demand was either reduced or wiped out, thus resulting in reduced tax liability.

"This leads to refund creation in such cases," said an official requesting anonymity.

"In order to maintain steady flow of taxes against demand and advance tax under section 147 of Income Tax Ordinance, 2001, the previous refunds are either issued or adjusted against the liabilities on priority basis," the official added.

The LTU Karachi also explained the schedule of payment of refunds issued to such companies under the jurisdiction of the unit mentioned by the MNA.

The MNA also raised question that the companies received refunds were private clients of former FBR chairman. The official at the LTU Karachi said, "As per law, tax officials issue refunds only to bona fide taxpayers against genuine claims".

In such cases the issue of favoring some companies, which were clients of former FBR chairman, was wrong because the unit had issued refunds to many big corporate entities, associated with different chartered accountant firms.

The sources said the LTU Karachi in its reply mentioned that by issuing refunds to corporate entities mentioned by the MNA, no tax payment had been jeopardised or undue benefit had been passed to any of the taxpayers.

Some other officials at various tax offices said that due to activity of National Accountability Bureau (NAB), the officials were already afraid of taking any decision beyond the tax laws.