

RECORDER REPORT

KCCI concerned over tax officials' seeking more powers

KARACHI: President Karachi Chamber of Commerce & Industry (KCCI) Agha Shahab Ahmed Khan has expressed serious concern on reports that the Income Tax officials are seeking more powers to probe and reopen cases of taxpayers for as long as past 10 years.

In their proposals for budget 2020-21, the officials of tax department have recommended that they may be authorised to issue assessment orders for up to 10 years instead of 5 years Under Section 121 of the Income Tax Ordinance 2001.

President KCCI pointed out that KCCI has contested for years to curtail discretionary powers of tax officials, which are a source of harassment to the taxpayers and have prevented a majority of business persons to register in the tax regime. Such powers are a deterrent to broadening of tax base which remains around 1 percent despite all kinds of coercive tactics.

He said that contrary to stated goal of reforms in FBR and Taxation regime, the government is being misled into taking measures in the Budget 2020-21 which will further discourage documentation and result in misuse of discretionary powers.

In a letter addressed to Dr Abdul Hafeez Shaikh, Advisor to PM on Finance and Revenue, Agha Shahab urged the Ministry of Finance to avoid taking any measures that will be counter-productive to an already sluggish economy and negative GDP growth. "Instead the government must undertake large scale reforms in FBR, revisit entire taxation policy and jurisprudence and curtail unbridled discretionary powers in Income Tax Ordinance 2001, Sales Tax Act 1990, Federal Excise Act and Customs Act," he added and further emphasised that amendments in Tax laws and Rules should not be inserted through Finance Bill.

President KCCI was of the opinion that it has been the usual practice by tax authorities to sneak in discretionary powers in the Income Tax Ordinance, Sales Tax Act, Federal Excise Act and Customs Act etc. every year through the Finance Bill. He stated that any changes in taxation and Customs provisions and rules should be presented through separate bills in the parliament so that a proper debate can be held in parliament and the senate before such major changes are introduced in the law.

Agha Shahab expressed the disappointment that much needed reforms in FBR could not be carried out by the present government and a status quo is maintained.

The officials of Inland Revenue are trapped in the same old mindset supported by colonial era tax provisions.

They are seeking more powers to squeeze the existing tax payers and business entities which are already documented, rather than enhancing their competency level and exert more efforts to bring the undocumented entities and major tax evaders into the tax net. Net result of this state of affairs is continuing dependence on indirect taxes and loans from IMF and World Bank.

President KCCI therefore urged the Advisor Finance to strongly resist all such efforts to further enhance the discretionary powers of tax department and ensure accountability for harassment and extortion of tax payers.