

Tax bar demands withdrawal of illegal audit notices

KARACHI: Pakistan Tax Bar Association (PTBA) on Tuesday demanded of the tax authorities to withdraw audit notices, which were issued against the directives of the Supreme Court, to safeguard taxpayers interests and ensure they do not lose trust in the taxation system of the country.

In a letter recently sent to the FBR chairperson, the PTBA, the apex tax bar of the country, pointed out that the audit selection of taxpayers had been made through computerised balloting for tax year 2014 under audit policy 2015.

The PTBA highlighted that the FBR had carried out computer balloting for the selection of taxpayers for audit of the tax year 2014 on September 14, 2015 under Section 214C of Income Tax Ordinance, 2001 and other tax laws.

In this regard, audit policy 2015 was also issued by the FBR for setting out the procedure and guidelines for processing the cases of persons or classes of persons, selected through random balloting.

“In the audit policy 2015, it was also stated that audit shall be completed in the same financial year,” the PTBA said.

The apex tax bar further pointed out that the computer balloting of the year was challenged by taxpayers before Lahore High Court (LHC). The LHC with certain directions passed an order to complete the audit till June 30, 2017, which was further amended by a division bench of the LHC to complete the audit till December 31, 2017.

The judgment of the division bench, which was further challenged before the Supreme Court, was upheld by the apex court that passed order that: “if the delays are inevitable for completion of audit within the stipulated timeframe then the taxation office may apply for an extension to the FBR HQ with reasons to be recorded in writing for such extension”.

The apex tax bar said that it had received complaints from taxpayers, who were selected for audit for tax year 2014, from all over the country were receiving show-cause notices to join the proceedings to conclude the audit of the said tax year. The PTBA said that the audit cases had already been time-barred in the direction of the court’s judgment.

“The reason for such notices were issued by the tax offices was to conclude the audit before it gets time-barred on June 30, 2020; whereas the cases have already been time-barred in the light of the directions by the apex court,” the PTBA said.

Furthermore, taxpayers, who raised the legal objections, were receiving stereotype replies by the different Regional Tax Offices (RTOs) that the FBR HQ had granted extension to complete the audit of such cases.

“The extension by the FBR HQ needs to be determined on a ‘case on case’ basis on application for extension by the taxation officer for reasons to be recorded in writing. Hence, such extensions as well as notices issued by the tax offices not only torment the taxpayers, leading the taxpayers to lose confidence in the department, while promoting unnecessary future litigation for the FBR,” the PTBA said.

The PTBA advised the FBR to immediately stop the tax offices from such illegal notices/proceedings initiated against the taxpayers in order to protect the interest of the taxpayers at large.