

Finance Act 2020, FBR explains filing return after phasing out final tax regime

ISLAMABAD: After phasing out of the Final Tax Regime through Finance Act 2020, any person whose income is still subject to final tax regime, is now obligated to file normal income tax return and allied documents under Income Tax Ordinance 2001.

The FBR has explained the filing of returns under section u/s 114 by persons whose income for the year is subject to final taxation under section 114 through an income tax circular 3 of 2020, here on Friday.

According to the FBR circular, prior to the Finance Act 2020, persons subject to the final tax regime were obliged to file statement of final taxation under section 115(4) of the Ordinance. This section has now been omitted since final tax regime has been phased out for most of the transactions. However, any person whose income is still subject to final tax regime, is now obligated to file normal income tax return and allied documents under the newly inserted clause (ae) in sub-section (1) of section 114 of the Ordinance.

Moreover, an enabling provision has also been inserted in clause (a) of sub-section (2) of section 114 of the Ordinance whereby the Board has been empowered to prescribe different returns for different classes of income or persons including persons subject to final taxation, FBR stated.

Prior to the Finance Act, 2020 a taxpayer had the option of revising wealth statement, upon discovering any omission or wrong statement therein at any time prior to receipt of notice under section 122(9) of the Ordinance for the tax year to which it relates.

Through the Finance Act 2020, an amendment has been made in sub-section (3) of section 116 of the Ordinance whereby effective from 1st July, 2020 intimation to the Commissioner in the prescribed form and manner, shall constitute a prerequisite for revision of wealth statement. Furthermore, through newly inserted proviso to section (3) of section 116 of the Ordinance, Commissioner has been empowered to declare such revision as void, through an order in writing after providing an opportunity of being heard in the instances where Commissioner is of the opinion that revision under this sub-section is not for the purpose of correcting a bonafide omission or wrong statement.

In addition to the above, an explanation has been added in sub-section (3) of section 116 of the Ordinance wherein it has been clarified that a wealth statement cannot be revised after expiry of 5 years from the due date of filing of return of income for that tax year, FBR added.