

Big taxpayers: FBR unveils new procedure for quick assessment, recovery

The Federal Board of Revenue (FBR) has implemented a new procedure for fast-track assessment and recovery of tax from high-net worth individuals to confirm/verify high risk areas of declared exempt incomes such as gift, foreign remittances, inheritance and agricultural income.

The FBR has communicated the procedure to the field formations here on Wednesday. The FBR has prescribed two different procedures for filers and non-filers high-net worth individuals for fast-track assessment and recovery of tax from them.

According to the FBR, the Directorate General Broadening of Tax Base (BTB) procedure for fast track assessment and recovery of tax would cover the five categories of cases including tax potential information has been received from foreign jurisdictions, under AEOI arrangement; high net individuals (HNI) cases identified & circulated by IR Operations wing, FBR; discrepancy reports (and potential cases emerging there from), generated & circulated by Directorate General BTB; investigation reports in mega cases of tax evasion, generated by Directorate General I&I-IR and any other case(s) containing high value information and which is categorised by IR Wing as HNI case.

Under the operational strategy of the FBR, wherever any Inland Revenue (IR) field formation receives any case falling under the aforementioned categories, it would be assigned to a special/dedicated unit for fast track proceedings.

The Special Unit shall process the assigned cases on fast track and in a professional & transparent manner.

Keeping in view the limited human and physical resources, head of the respective field formation shall further categorize the cases under Tier-1, Tier-2 and Tier-3 on the basis of revenue potential involved.

For an effective and efficient handling of aforesaid cases following procedure is prescribed for unit officers, FBR said. For Initial Scrutiny, the sifting of registered and un-registered would be done. It would ascertain filing status: Filer/Non filer, especially the tax years (TYs) wherein information received is relevant.

Analysis of economic activity and other important areas of information received for further proceedings both in the cases of filers and non filers, FBR said. In cases of filers, cross-matching of information with the declared version to identify specific discrepancies & risk areas for selection for audit u/s 177 of the Income Tax Ordinance 2001.

Some of the high risk areas include; declared exempt incomes like gift, foreign remittances, inheritance, agricultural income, carried forward wealth of previous year without furnishing previous year's wealth reconciliation, without documents of identified asset/source etc, and has not furnished any documentary proof of his declaration in the return. Selection & intimation through Iris along with notice u/s 176(4) for personal appearance along with production of, inter alia, documents mentioned for verification. This summons/notice u/s 176(4) along with hard copy of Intimation notice U/S 177(1) shall be personally served by the Unit IIRs for compliance, FBR said.

In cases of non-filers issuance of notices u/s 114(4) and 116(1) giving 10 days time: Service through IIR. The FBR will initiate detailed proceedings in cases where the person has filed the return and wealth statement in Compliance with notices u/s 114(4) & 116(1)/Selected for audit under 177.

Desk Audit of return and wealth statement vis-à-vis economic activity/information received and reply submitted under selection of audit. Audit proceedings shall be conducted through the enabling provisions of section 176(4).

As prescribed in Code of Civil Procedure 1908, the compliance (Production of record/ Furnishing of statement under oath) shall be made on day-to-day bases without any long adjournments. In case of compliance, proceedings to be concluded on merit and based upon facts of the case i.e. finalisation of order/amendment of order u/s 122 of Income Tax Ordinance 2001.

In cases of non-compliance or unsatisfactory compliance audit proceedings to be concluded ex parte, best judgment assessment u/s 121. In case of non-compliance of proceedings, u/s 176(4), prosecution U/S 191 (1) (a) and (d) shall be initiated and either a complaint shall be registered against the person before the Central Judge as prescribed or in selected cases, the officer in-charge after administrative approvals shall directly prosecute the person for non-compliance in proceedings of violation of the provisions of Code of Civil Procedure 1908 (Act V of 1908). After completion of the steps supra, recovery proceedings shall be initiated as provided under the law.

To deal with cases where the person has not filed the return and wealth statement in Compliance with notice u/s 114(4) and 116(1), the field will conduct identification of grey/unexplained areas for preparation of show cause notice, confronting the non-compliant taxpayer with specific discrepancies.

The department will issue self-contained notice u/s 121(1) sharing the basis for earlier notices, highlighting the non-compliance and clear intimation on department's further course of action in case of continued default/non-compliance or unsatisfactory compliance. There would be simultaneous issuance of notice u/s 176(4) for personal appearance along with production of income tax return and wealth statement.

For non-filers, this summons/notice u/s 176(4) along with notice u/s 121 (1) shall be personally served by the Unit IIRs for compliance. The compliance (production of record/furnishing of statement under oath) shall be made on day-to-day basis without any undue long adjournments.

RECORDER REPORT