

Government must document economy to enhance tax base

KARACHI: The government should end a culture of rampant tax evasion through documenting the economy instead of giving relief to tax dodgers in a nation where less than one percent of the population even files income tax returns, an official of a tax body said on Thursday.

Abdul Qadir Memon, president of the Pakistan Tax Bar Association said the government floated Finance Supplementary (Second Amendment) Bill, 2019 on January 23 and proposed certain amendments to give incentives to non-filers.

It also did not consider removal of Section 182A of Income Tax Ordinance, 2001, which does not allow late filers to get their names on the Active Taxpayers List (ATL).

Memon said that the apex tax bar has urged Finance Minister Asad Umar to withdraw the condition under Section 182A to encourage returns filing and promote documentation of economy.

In the finance bill, the government proposed allowance of non-filers to purchase motor vehicles with the engine capacity of up to 1300cc.

The PTBA president said ATL for the tax year 2017 showed the number of return filers had increased to 1.81 million, whereas the number of returns filed for the tax year 2018 by due date was 1.552 million.

“This shows that the next ATL, which will be issued on March 1, will have 0.258 million less return filers,” he added.

Memon said that the provision of Section 182A instead of encouraging potential taxpayers to become filers, will discourage them. He associated the section of the Income Tax Ordinance, 2001 to another section 214D, under which late filers were automatically selected for audit and created huge problems for the Federal Board of Revenue (FBR).

“It will be another disaster like the provision of Section 214D of the ordinance, which created huge pendency of tax audit cases of approximately 1.2 million and finally the government created facility for existing taxpayers by introducing a scheme to dispose of the cases,” he added.

Memon said that the association is representative body of all tax bars in the country, and all the bars are unanimous on deletion of Section 182A. “The tax bars are afraid that in the presence of Section 182A, they will not be able to persuade any person to file return after the due date,” he added.

The PTBA president also pointed out double jeopardy in Section 182A that a late return filer would be subject to penalty under this section and Section 114 of the ordinance.

“The imposition of penalty under Section 182A of the ordinance is nothing, but the levy of double penalty on the existing taxpayers for the same offence,” he said, adding that any imposition of fine under this section would be challenged as Article 13 of the Constitution provides protection against double punishment for the same offence.

He urged the government to reconsider this section to encourage returns filing and documentation of economy.

The bar would take up this matter in the next meeting with the finance minister to delete it, while making this bill an act, he added.

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