

Confusion as FBR circular mistaken for govt's new revenue measures

ISLAMABAD: A circular explaining the previous government's tax cuts and adjustments was uploaded to the website of the Federal Board of Revenue (FBR) early in the day on Thursday, causing some embarrassment to the government since it triggered a flurry of questions about its relationship to the coming finance bill that will be tabled before the National Assembly on Tuesday.

Information Minister Fawad Chaudhry, who was taken aback when a reporter posed a question regarding the notice, said that "I am not aware of any such notification".

The circular was actually due four months ago and was issued yesterday despite the incumbent government's announcement to reverse the tax concessions. The explanatory circular is usually released within weeks once the National Assembly has passed the budget document.

Later in the day it appeared to have been taken down from the FBR website, only to reappear again a few hours later. Confusion spread during the day regarding the contents of the document as people asked about its connection with the forthcoming reversals of the same tax measures that are widely anticipated.

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The explanatory notice was misinterpreted in the media where theories quickly began to circulate claiming that the document describes the PTI government's amendments to the finance act. An FBR official talking to IPP on the condition of anonymity agreed saying "it was not an appropriate time for issuing the

circular which created confusion among people”.

Since the circular was already delayed, the tax official said, it could have been released prior to the amendments by the government.

The circular included details on important amendments in the income tax ordinance introduced through Finance Act 2018 back in April. FBR in the notice issued details of transactions which will be subject to advance tax. Through the Act, a new section was inserted to tax the transfers “of any sum remitted outside Pakistan on behalf of a person who has completed a debit card or credit card or prepaid card transaction with a person outside Pakistan.”

The notice further mentions that, “the advance tax collected under this section shall be adjustable. The rate of tax to be deducted shall be 1 per cent of the gross amount remitted abroad from filers and 3pc from non-filers.”

ATM cards which include debit, credit or prepaid cards, and related cash transactions carried outside Pakistan are also covered in this section, if such transactions are used to remit sums outside the country.

In addition to the aforementioned changes, the circular also explains the “ban on transfer of immovable property or a new motor vehicle to a non-filer” in detail. Under the ban, booking, registering or purchasing any locally manufactured new vehicle and first registration of any imported vehicle will not be accepted or processed by registering authorities and vehicle manufacturers unless the person is a filer.

Moreover, the ban applies to all vehicles including cars, jeeps, vans, trucks etc irrespective of whether it is for private or commercial use, however, it will not apply to motorcycles, rickshaws and motorcycle- rickshaws.

With respect to changes in laws governing immovable properties

with total worth exceeding Rs5 million, the notice warned that concerned authorities will not process any application to register, record or attest transfer of any property unless the applicant is a filer. Immovable properties include agricultural, commercial, residential plots/land, houses, buildings, apartments, malls, flats etc within its ambit.

In order to ensure accurate valuation of real estate for the purpose of taxation, a new Directorate General of Immoveable property (DG-IP) was also announced. The new office will have the necessary capacity and legal jurisdiction to establish and implement a framework for taxation of immovable property.

The Federal Government's amendments are in line with the efforts to make correct assessment of fair value of the property for the purpose of raising tax demands. However, these provisions including the appointment of DG-IP will come into force on the date as notified by the Federal Government. In the meantime, considerable preparatory work has to be done before this notification can be issued.

This includes necessary notifications regarding funds, valuation mechanism, appointment of appellate authorities and consultations with the provinces for requesting them to withdraw their valuation tables and reducing their tax rates on property transaction. Until the new system was put in place, the existing system will continue.