

FBR accuses KE of hiding multi-billion rupees WHT

ISLAMABAD: The Federal Board of Revenue (FBR) has detected purchases of Rs42 billion made by Karachi Electric where multibillion rupees due taxes on account of Withholding Tax (WHT) were not deposited into national kitty, The News has learnt.

“Yes, we have detected purchases of Rs42 billion made by KESC where they did not deposit the due taxes into national kitty. We have identified these transactions and demands will be generated to recover multi-billion rupees taxes from them,” one top official of FBR confirmed to The News here on Monday.

Under effective enforcement strategy of WHT, the FBR has detected massive short filing of withholding tax by the power distribution companies (DISCOs). Alone four DISCOs have collected Rs36 billion from electricity consumers but did not deposit into FBR’s accounts.

Ironically, the FBR has taken strong exception and decided to approach the Finance Minister Ishaq Dar for launching complaint that these DISCOs got stay orders from courts instead of resolving it by sitting on the table. Total due taxes against DISCOs stood at Rs60 billion and efforts were underway to collect the due amounts, they added. Under article 161 and 162, the FBR is going to generate tax demands against KESC.

Failure to pay tax collected or deducted.— (1) Where a person – (a) fails to collect tax as required under Division II of this Part 5 [or Chapter XII] or deduct tax from a payment as required under Division III of this Part 6 [or Chapter XII] 7 [or as required under section 50 of the repealed Ordinance]; or (b) having collected tax under Division II of this Part 8 [or Chapter XII] or deducted tax under Division III of this Part 9 [or Chapter XII] fails to pay the tax to the Commissioner as required under section 160, 10[or having collected tax under section 50 of the repealed Ordinance pay to the credit of the Federal Government as required under sub-section (8) of section 50 of the repealed Ordinance,] the person shall be personally liable to pay the amount of tax to the Commissioner 1 [who may 2 [pass an order to that effect and] proceed to recover the same.] 3 [(1A) No recovery under sub-section (1) shall be made unless the person referred to in sub-section (1) has been provided with an opportunity of being heard. (1B) Where at the time of recovery of tax under sub-section (1) it is established that the tax that was to be deducted from the payment made to a person or collected from a person has meanwhile been paid by that person, no recovery shall be made from the person who had failed to collect or deduct the tax but the said person shall be liable to pay 4 [default surcharge] at the rate of 5 [—twelve] per cent per annum from the date he failed to collect or deduct the tax to the date the tax was paid.]

(2) A person personally liable for an amount of tax under sub-section (1) as a result of failing to collect or deduct the tax shall be entitled to recover the tax from the person from whom the tax should have been collected or deducted.

Article 162: Recovery of tax from the person from whom tax was not collected or deducted.

— (1) Where a person fails to collect tax as required under Division II of this Part 6 [or Chapter XII] or deduct tax from a payment as required under Division III of this Part 7 [or Chapter XII,] the Commissioner may 8 [pass an order to that effect and] recover the amount not collected or deducted from the person from whom the tax should have been collected or to whom the payment was made. (2) The recovery of tax under sub-section (1) does not absolve the person who failed to deduct tax as required under Division III of this Part 9 [or Chapter XII] from any other legal action in relation to the failure, or from a charge of 10 [default surcharge] or the disallowance of a deduction for the expense to which the failure relates, as provided for under this Ordinance.

The FBR's Regional Commissioners' Conference held last week for finalising strategy to achieve highly ambitious tax collection target of Rs4013 billion in fiscal year 2017-18 against collection of Rs3362 billion for the last fiscal 2016-17.

“Despite relying upon facilitation mode for taxpayers, the FBR will focus upon broadening of tax base (B2B) where potential non filers will be approach who are living luxury lives in major urban centers but preferred to remain outside the tax system,” the official added.

The number of tax returns, they said, went up from 0.7 million to 1.2 million but still the travelers, residing in posh areas and enjoying luxurious lives were still out of tax net who would be brought into the system by sending through system generated tax notices in all over the country.

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