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KTBA calls on FBR to withdraw super tax surcharge proceedings

KARACHI: The Karachi Tax Bar Association (KTBA) has urged the Federal Board of Revenue (FBR) to immediately review and withdraw default surcharge proceedings initiated on super tax payments, warning that the move undermines legal certainty and taxpayer confidence.

In a letter to FBR Chairperson Rashid Mahmood Langrial, the tax body expressed “serious concerns” over the imposition of default surcharge under Section 205 of the Income Tax Ordinance, 2001, despite taxpayers having paid the principal amount of super tax in compliance with court directives.

It noted that field formations have initiated surcharge proceedings citing delays in payment timelines, even in cases where taxpayers have acted in accordance with subsisting stay orders and judicial pronouncements.

The association maintained that, in several instances, payments are made based on relief granted by appellate forums, making surcharge actions legally questionable. “The imposition of default surcharge in such circumstances is inconsistent with the legal framework and undermines the rule of law,” the KTBA said.

It added that the issue is compounded by delays in processing tax refunds. According to the association, surcharge demands are being raised while excess tax payments and declared refunds remain pending, which it said violates principles of equity and fair tax administration.

Referring to the legal background, the tax bar pointed out that the Sindh High Court had declared the super tax levy for the tax year 2022 unconstitutional in its order dated December 22, 2022. This position, it argued, remained binding under Article 201 of the Constitution until the matter was finally decided by the Federal Constitutional Court on 27 January 2026. It added that taxpayers had also complied with directions of the Islamabad High Court regarding the applicability and retrospectivity of the super tax, reinforcing that payment timelines were influenced by judicial orders.

The association said high-income taxpayers, who are the primary contributors of the super tax, are already facing delays in refunds and are now being burdened with additional liabilities. “This environment is not conducive to promoting voluntary compliance or economic growth,” it said.

It urged the FBR to withdraw surcharge proceedings in cases involving judicial stays, appellate relief or refundable tax credits after proper verification, and called for the expediting of pending refunds to ensure fairness in tax administration.