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KTBA urges FBR to withdraw tax notices issued to salaried individuals

KARACHI: The Karachi Tax Bar Association (KTBA) has called for the withdrawal of tax notices issued to salaried individuals under Section 162 of the Income Tax Ordinance, 2001.

In a letter to the Federal Board of Revenue (FBR) on Thursday, the KTBA said that hundreds of show-cause notices have recently been served to salaried individuals, alleging that they claimed tax credits higher than the actual amount deducted and deposited in their income tax returns.

These notices appear to have been issued in cases where tax officers are either unable to verify deductions through IRIS MIS or are unable to recover withheld tax from employers, who act as withholding agents, the tax body said.

The KTBA emphasised that employees file their salary tax returns based solely on the salary certificate issued by their employers in accordance with Rule 41 of the Income Tax Rules, 2002. Since employees rely entirely on these certificates, any shortfall in tax deduction or verification should be addressed with the employer, not the employee, it argued.

The association further noted that the notices lack legal jurisdiction, as Section 162 of the ordinance only empowers tax officers to issue notices to employees if their employer has failed to deduct income tax under Section 149, which is not the case in these instances. It added that since income tax has already been withheld by employers, the salary certificates provided to employees reflect this, including CPR (computerised payment receipt) details.

The KTBA highlighted the financial strain on salaried taxpayers, who already bear the highest tax rates in the country on their gross income, without deductions or exemptions. The issuance of these unjustified notices, it stated, has only added to their distress. The tax body urged the FBR to issue immediate instructions to its field offices in Karachi for the withdrawal of these unwarranted notices and to ensure compliance with the law.