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KTBA criticises FBR move to end manual income tax returns

By our correspondent

KARACHI: The Karachi Tax Bar Association (KTBA) has expressed strong concern and objection over the recent and delayed abolition of manual filing of income tax returns for the tax year 2025.

In a letter addressed to the chairperson of the Federal Board of Revenue (FBR), the KTBA stated: "Rule 73(2DD) of the Income Tax Rules, 2002, as currently in force, explicitly permits the manual filing of income tax returns by individuals for TY2025, subject to certain exceptions. It is also a matter of record that the FBR has, to date, been unable to notify a manual return of income as required under Rule 34A of the Income Tax Rules, 2002. This factual position was duly conceded by the department before the Federal Tax Ombudsman in Complaint Nos 22729/KHI/IT/2025 dated 26-09-2025 and 25084/GWL/IT/2025 dated 04-10-2025, along with an assurance to rectify the underlying anomaly."

Against this backdrop, the association said, the issuance of SRO 2070(I)/2025 dated November 3, 2025, followed by Circular No 2 of 2025-26 dated November 5, 2025, to abolish manual filing altogether and mandate compulsory electronic filing for all individuals from TY2025 is a "belated afterthought and contradictory to the law and rules".

The KTBA objected to the SRO, noting that the department's current stance — reflected in the SRO and the subsequent circular — was fundamentally inconsistent with the official position it had previously adopted before the Federal Tax Ombudsman. The association said this inconsistency created a "bizarre legal anomaly" and undermined principles of good governance.

It also pointed out that the SRO dated November 3, 2025 was "silent on its effective date". Citing Section 23 of the General Clauses Act, 1897, the association argued that such a legislative amendment must be interpreted as having "prospective effect only". Therefore,

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for all practical and legal purposes, it should apply to the tax year 2026 and onwards.

The KTBA further noted: "Rule 73(2DD), as it stands today, confers a vested right upon individual taxpayers to file their returns manually for TY2025. The proposed amendment, by retrospectively stripping taxpayers of this vested right, is untenable. A right that has already accrued cannot be extinguished by a subsequent amendment unless the legislature clearly and unambiguously intends to give it retrospective effect — which is absent in this case."

In accordance with Section 237, the KTBA lodged its objections to what it termed a "belated initiative" and took strong exception to any retrospective application of the SRO, warning that such a move could cause unnecessary confusion, hardship, and uncertainty for individual taxpayers who are otherwise entitled to file manual returns for the Tax Year 2025.