

Tax Audit Poliy 2017

Exclusions & Risk Parameters

For Tax Audit of Tax Year 2016



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The Government of Pakistan has opened a three-month window for wealthy Pakistanis to whiten their hidden local

Federal Board of Revenue (FBR) issued Audit Policy – 2017 for selection of audit for tax year 2016 (July 01, 2015 to June 30, 2016) through random computerized balloting. The audit policy exempted taxpayers from random balloting, who are already selected by filed formation or selected in the previous tax year. According to the FBR, it will conduct computer ballot on parametric basis for selection of 7.5 percent cases for audit out of the total filers after exclusions in Income Tax, Sales Tax and FED returns filed for Tax Year 2016 and Tax Periods i.e. July 2015 to June 2016.

Exclusions

Following exclusions have been identified and approved by the Board under relevant rules which pertain to cases where selection for audit by the Board is not required for the year.

Income Tax

- a) All cases already selected for audit by the Commissioners Inland Revenue under section 177 of the Income Tax Ordinance for Tax Year, 2016
- b) All cases already selected for audit by the Director I&I (IR) under section 177 of the Income Tax Ordinance for Tax Year, 2016.
- c) All cases already selected for audit under section 214D of the Income Tax Ordinance, 2001, for the Tax Year, 2016.
- d) All cases selected for audit u/s 214C for Tax Year 2015.
- e) All cases of Income from Salary where the salary exceeds 50% of taxable income except cases having business income.
- f) Cases under Voluntary Tax Compliance Scheme (VTCS) for traders.
- g) All cases falling under Final Tax Regime (FTR).

Sales Tax

- a) All cases already taken up for audit for Tax Period(s) July 2015 to June, 2016 under section 25, and 38 of the Sales Tax Act, 1990 by the Commissioners Inland Revenue;
- b) Cases already taken up for audit / Investigation for Tax Period(s) July 2015 to June, 2016 u/s 25/38 of the Sales Tax Act 1990 by the Directorate of I&I (IR);
- c) All cases selected for audit u/s 72B for Tax Periods July 2014 to June 2015.
- d) All cases of Steel Melters, Steel Re-rollers who are paying sales tax under the Sales Tax Special Procedure Rules, 2007;
- e) Federal, Provincial and Local Government Departments.

Federal Excise

- a) All cases already taken up for audit for Tax Periods July 2015 to June, 2016, by the Commissioners Inland Revenue
- b) Cases already taken up for audit / Investigation for Tax Periods July 2015 to June, 2016 u/s 46 of the Federal Excise Act, 2005, by the Directorate General of I&I (IR)
- c) Federal, Provincial and Local Government Departments;
- d) All cases of audit selected u/s 42B for the Tax Periods July 2014 to June 2015.

Risk Parameters

The FBR does not disclosed parameters for selection of audit in income tax; however, following risk parameters have been determined for selection of cases for audit for Tax Periods July 2015 to June 2016 under clause (i) of sub-rule (2) of rule 44A of the Sales Tax Rules, 2006.

INCOME TAX

Under section 214C (1A) the parameters are not to be disclosed.

SALES TAX (CORPORATE)

Decline in value of supplies is greater than 10 percent over last year.

- a) Consistent decrease in output tax/input tax ratio over last three years.
- b) Decrease in ratio of taxable supplies to total supplies by 10 percent or more as compared to previous year.
- c) Non-filer, nil-filer or null-filer for more than 6 months in the year in case the Registered Person is showing any turnover in income tax return of the corresponding period.
- d) Manufacturers showing value addition of less than 10 percent.
- e) Where more than 30 percent purchases are from “unregistered persons”.
- f) Where more than 30 percent sales are to “unregistered persons”.
- g) Increase in carry forward of input tax and reduction in sales by margin of 10 percent.

SALES TAX (NON-CORPORATE)

- a) Decline in value of supplies is greater than 10 percent over last year.
- b) Consistent decrease in output tax/input tax ratio over last three years.
- c) Decrease in proportion of taxable supplies to total supplies by 10 percent or more as compared to previous year.
- d) Non-filer, nil-filer or null-filer for more than 6 months in the year in case the Registered Person is showing any turnover in income tax return of the corresponding period.
- e) Manufacturers showing value addition of less than 10 percent.
- f) Where more than 30 percent purchases are from “unregistered persons”.
- g) Where more than 30 percent sales are to “unregistered persons”.
- h) Increase in carry forward of input tax and reduction in sales by margin of 10 percent.

FEDERAL EXCISE

Following risk parameters have been determined by the Board for selection of cases for audit for Tax Periods July 2015 to June 2016 under clause (i) of sub-rule (2) of rule 73A of the Federal Excise Rules, 2005.

- a) Decline in value of supplies is greater than 10% over last year;
- b) Consistent decrease in output tax/input tax ratio over last three years;
- c) Decrease in proportion of taxable supplies to total supplies by 10 percent as compared to previous year;
- d) Non-filer, nil-filer or null-filer for more than 6 months in the year, in case the Registered Person is showing any turnover in income tax return of the corresponding period;
- e) Manufacturers showing value addition of less than 10 percent;
- f) Where more than 30% purchases are from “unregistered persons”;
- g) Where more than 30% sales are to “unregistered persons”;
- h) Increase in carry forward of input tax and reduction in sales by margin of 10 percent.

According to details under Income Tax (Corporate) 1,499, Income Tax (Non-Corporate) 34,515, Sales Tax (Corporate) 1,274, Sales Tax (Non-Corporate) 7,532, Federal Excise Duty (Corporate) 28, Federal Excise Duty (non-corporate) 20 has been selected. The total numbers of Audit cases are 44,868. National Tax Numbers/ CNIC of cases selected for audit would shortly be displayed on the official website of FBR. The Audit Policy 2017 for Tax Year 2016 has been placed on the official website of FBR.

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