

GUIDE LINES FOR TAX DEFAULT

1. **Non-existence at NTN or Non-filing of Income Tax Returns**

Filing of Income Tax Returns is obligatory if the candidate is:-

1. Enjoying taxable income of Rs. 350,000 or above.*
2. Falling in the following categories of persons who are bound to file the IT return u/s 114 (1) of IT Ordinance, 2001.
 - (ab) every person (other than a company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance.
 - (ac) any non-profit organization
 - (ad) any welfare institution approved under clause (58) of Part I of the Second Schedule to Income Tax Ordinance, 2001
 - (b) any person not covered by clause [(a), (ab), (ac) or (ad)] who,—
 - (i) has been charged to tax in respect of any of the two preceding tax years;
 - (ii) claims a loss carried forward under this Ordinance for a tax year;
 - (iii) owns immovable property with a land area of two hundred and fifty square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces; or areas in a Cantonment; or the Islamabad Capital Territory
 - (iv) owns immovable property with a land area of five hundred square yards or more located in a rating area;
 - (v) owns a flat having covered area of two thousand square feet or more located in a rating area
 - (vi) owns a motor vehicle having engine capacity above 1000 CC
 - (vii) has obtained National Tax Number

(viii) is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees one million

(1A) Every individual whose income under the head 'Income from business' exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year is also required to furnish return of income from the tax year.(Applicable to Tax Year 2012)

(C) The commissioner may by notice in writing require a person to furnish a return of income where he otherwise thinks appropriate to require such a return to be furnished

(d) As per section 118(6) of the Income Tax Ordinance 2001

Where a taxpayer is not borne on the National Tax Number Register and fails to file an application in the prescribed form and manner with the taxpayer's return of income or employer's certificate, such return or certificate shall not be treated as a return or certificate furnished under this section.

In all aforesaid scenarios non-filing of IT Returns tantamount to tax default

Relevant Queries & clarifications

- Is there any income generating asset(s) (like property/business/investment/deposit etc.) declared in the nomination forms.
- What are the sources of day to day living and other expenses declared in the nomination forms.
- If income is being claimed exempt (like agricultural), whether it has been declared with provincial authorities.
- Under section 115 of IT Ordinance, 2001 the following persons shall not be required to furnish a return of income for a tax year solely by reason of [sub-clause (iii)] of clause (b) of sub-section (1) of section 114 –
 - (a) A widow;
 - (b) an orphan below the age of twenty-five years;
 - (c) a disabled person; or
 - (d) in the case of ownership of immovable property, a non-resident person.

- Any person who is not obliged to furnish a return as per subsection 4 of section 115, he shall furnish a statement of final discharge of liability as prescribed.

2. NTN holders but non-filers of IT Returns

If the candidate is borne on tax roll but he is non-filer then all the aforesaid queries shall apply *mutates mutandis*

3. Return Filers

If the candidate claims to have filed the tax returns then following queries can be made.

- If under FBR's instructions Tax Return was to be submitted electronically, compliance has been made or filing is manual
 - From Tax Year 2009 wherever a refund has been claimed, return shall be filed electronically
 - From Tax Year 2010 for every Sales Tax registered person electronic filing of income tax return is mandatory
 - For salaried individuals whose salary income is five hundred thousand rupees or more (for tax year 2010 and 2011) and one million rupees or more (for Tax year 2012) electronic filing of return is mandatory along with wealth statement
- Filing of tax return is within prescribed time lines or it is late

4. Filing/non-filing of wealth statements

Section 114 (2) of IT Ordinance, 2001 clearly states that IT return shall be accompanied with a wealth statement as required u/s 116 and under section 116(2), every resident taxpayer [being an individual] filing a return of income for any tax year whose last declared or assessed income [or the declared income for the year], is five hundred thousand rupees or more (for tax years 2010 and 2011) and one million] rupees or more (for tax year 2012), shall furnish a wealth statement [and wealth reconciliation statement] for that year along with such return.

- So in cases where filing of Statement of Assets & Liabilities/ Wealth Statement is obligatory, it may be checked whether the same has been filed;
 - a. Along with the tax return
 - b. after filing of tax return; or
 - c. has yet not been filed

5. Outstanding/Recoverable Tax demand

The candidate may be asked whether he or Association of Persons/Registered partnerships to which he is member/partner, owes any outstanding/recoverable taxes to FBR. If yes, why the liability has yet not been discharged?

6. For any further clarification on the subject ROs may like to contact the following

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***INCOME THRESHHOLDS**

TAX YEAR	BUSINESS INCOME (Rs.)	SALARY (Rs.)
(Year ending30.06.10) year ending 2010	100,000	200,000
(Year ending30.06.11) year ending 2011	300,000	300,000
(Year ending30.06.12) year ending 2012	350,000	350,000