

Section 153-A

# FBR yet to issue modalities for tax collection

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ISLAMABAD: The Federal Board of Revenue is yet to issue modalities for collection of income tax under section 153-A of recently introduced Finance Act, 2012.

Jawed Bilwani, Chairman Pakistan Apparel Forum told Business Recorder on Tuesday that section 153-A requires all manufacturers to collect 0.5 percent income tax from sales made to their distributors and wholesalers. As the modalities and concept of 153-A are yet to be clarified by the Board, on its reading different interpretations on its practical application arise such as:- Generating challan in cases of persons without required particulars including (a) Time of payment for tax levied under section 153-A (b) Scope of tax on different classes of persons (c) Justification for scope of tax considering replacement of sales tax law with Income Tax Act.

He further said that the provision of tax was introduced to burden undocumented segment of the trade. The challan of income tax payment can only be generated upon furnishing NTN or CNIC, however as the unregistered persons did not provide

their particulars to manufacturer, how it is expected that a manufacturer can make payment of tax or generated tax challan of such unregistered customers?

Bilwani said that it has not yet been officially clarified by the board whether the tax u/s 153-A is required to be paid at the time of sales or at the time of payment received from the customers?

The bare reading of the act simply requires all manufacturers to collect tax from their distributors, dealers and wholesalers. Now the question arises whether the condition to collect tax is restricted to the extent of buyers registered as wholesaler/dealer/distributor or it was extended to other segments, for instance the goods supplied by manufacturer to another person who used the goods as raw material for further manufacturing activity would also required to pay tax or not?, he added.

In cases of persons having multiple activity as wholesaler/importer/exporters how will a manufacturer determine application of tax?

There appears no business categories of wholesaler/importer/exporter/manufacturer in the NTN, therefore how will manufacturer determine the category

and justify application or exclusion of tax?

He said that tax u/s 153-A was introduced in place of sales tax notifications 821 and 191 pertaining to requirement of CNIC/NTN of sales to un-registered trader. The business community did not find the conditions practicable and upon their agitation the law was replaced with the concept to pay some amount of tax in cases of non furnishing of particulars to their customers. Accordingly section 153-A was introduced in Finance Bill 2012-13.

Now the question arises that if a person as distributor/wholesaler having proper particulars and registered within income tax or sales tax regime as a documented segment then why should they pay additional amount of 0.5 percent tax.

The levy of tax was meant only to penalize undocumented segment of trade but unfortunately the government while introducing replacement law forgot to exclude registered segment of trade as a result of which they are burdened with additional amount of tax without any justification. It therefore becomes imperative that the FBR revisits this law, he added.

