

Government of Pakistan
Revenue Division
Federal Board of Revenue

C.No. 4(36)ITP/2002

Islamabad, the 5th October, 2009

To The Directors General,
Large Taxpayer's Unit (LTU),
Karachi/Lahore/Islamabad.

The Directors General
Regional Tax Office (RTO),
Islamabad/Rawalpindi/Peshawar/Lahore/Faisalabad/
Multan/Abbotabad/Gujranwala/Sialkot/Quetta/Sukkur/
Hyderabad/Karachi.

Subject: (i) Selection of FTR Cases for Audit.
(ii) Selection of Cases for Audit for Current Year as well as for the
Previous Years i.e. Multiple Audit.

Federal Board of Revenue has been receiving representations from the taxpayers and various trade bodies against the selection of Final Tax Regime (FTR) cases for audit and against the selection of a case for audit for the current year as well as for the previous years, contending that such practices put them under undue pressure / harassment which are against the spirit of taxpayer's facilitation. The matter has been examined in the Board and it is evident that:-

- (i) In cases of individuals falling under FTR, where the individual's wealth statement and the wealth is properly reconciled through wealth reconciliation statement satisfactorily, there appears no ground for selection of a case for audit.
- (ii) Also, in FTR cases of AOPs and Companies, there is no justification for selection of a case for audit, if no discrepancy is discernable in the particulars of declared income and tax.
- (iii) Cases for audit are required to be selected under section 177, on the basis of given parameters. Income Tax law also provides for amendment of an assessment, if warranted by the facts of the case. Therefore, there is no justification to select a case for audit

for Multiple tax years (current year as well as the previous years), as this practice causes undue harassment to the taxpayers.

2.

It has therefore been decided that:-

- (i) The cases of individuals falling under FTR shall not be selected for audit if wealth is accurately and properly reconciled by the taxpayers through wealth statement and wealth reconciliation statement.
- (ii) FTR cases other than individuals shall not be selected for audit and discrepancy, if any, found in such cases shall be addressed through amendment of assessment as provided under the income tax law.
- (iii) A case shall be selected for Audit for the current year only and discrepancy, if any, noticed in the previous year's declarations the same shall be addressed by amendment of the relevant assessment.

3. Needless to remind that the taxpayers facilitation being the focal aim of the ongoing reform process, any practice denting the taxpayer's confidence must be avoided through the prudent application of the provisions of income tax law.

4. The instructions contained in paragraph 2 above may be brought to the knowledge all concerned for compliance.



(Asrar Raouf)

Member Direct Tax (Policy)