



PAKISTAN HOTELS ASSOCIATION

(REGISTERED WITH THE MINISTRY OF COMMERCE, GOVERNMENT OF PAKISTAN)

Ref: PHA/141/13
September 20, 2013

To.
All Member Hotel
Pakistan Hotels Association

Dear Members,

Reference is made to PHA letter dated 28th June, 2013 written to the Member Inland Revenue, FBR as well as the queries raised by M/s. Hashoo Group through Abid Shaban & Company in relation to application of Section 236D of Income Tax Ordinance, 2001 (the Ordinance), as added through Finance Act, 2013 and made applicable with effect from 1st July, 2013.

In this connection, it is pleased to inform you that after deliberation with the relevant officials of Federal Board of Revenue (FBR), we have made it successful to get a Circular under Reference No. 10 of 2013 dated 17th September, 2013 for resolution of queries raised by member hotels including Hashoo Group.

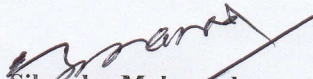
In the above circular, FBR has also explained that the above withholding tax is to be charged and levied as part and parcel of billing of banquet / function halls etc. As the problem of bad debts is there, whereby besides of being burdened with the amount of bad debts, if we follow the said clarification, then we will also be burdened with the amount of tax, included in the bill which could not be recovered from the customers because of the existence of situation of recording the amount as bad debts. Furthermore, we are still maintaining our earlier point of view as duly been discussed in Executive Committee Meeting of Pakistan Hotels Association that hotel customers are no longer a subject of federal law because of NFC award as incorporated in the Constitution with the title of 18th Amendment. The application of Section 236D by the hoteliers is giving rise to the situation where interference in provincial powers can be established. Thus Section 236D is unconstitutional and can not be tenable on legal grounds.

For the discussion over the Circular as well as the problems on account of bad debts and the constitutional limitation, a delegation of the Executive Committee has visited the office of Ms. Lubna Farrukh, Chief Commissioner, Regional Tax Unit II, Karachi and she has assured to take up the matters with FBR. During the course of said meeting, she has assured us that they have developed a team to ensure surprise visits to small marriage halls / banquet halls to bring at par, the application of Section 236D of the Ordinance.

Your continuous cooperation will enable us to improve further our contribution for betterment of hotel industry.

With profound regards

Yours truly,
For **Pakistan Hotels Association**


Sikander Mahmood
Chairman

c.c. Ms. Lubna Farrukh, Chief Commissioner, Regional Tax Unit II, Karachi