<u>POS Integration - Frequently Asked Questions</u>

Q. Who is required to integrate POSs for live reporting of sales?

Ans. All tier-1 retailers are required to integrate all their POSs with FBR's computerized system. 'Tier-1 retailer' is defined in section 2(43A) of the Sales Tax Act, 1990, to be a person who falls in any of the following categories:

(a) a retailer operating as a unit of a national or international chain of stores;

(b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;

(c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees twelve hundred thousand;

(d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers"; and

(e) a retailer, whose shop measures one thousand square feet in area or more.

Q. Is integration mandatory only for retailers of textile and leather items?

Ans. POS integration is mandatory for all tier-1 retailers irrespective of the items they are dealing in. All tier-1 retailers whether dealing in textile and leather items or any other item are required by law to integrate their POSs with FBR's system.

Q. What will be the rate of sales tax for items sold by the integrated retailers?

Ans. The rate of sales tax for items sold by integrated retailers shall be the same as for all other suppliers as provided under the Sales Tax Act, 1990. Only exception is for locally manufactured textile and leather items, which if sold by integrated retailers are subject to concessionary rate of 14%, and if sold by any other supplier are subject to 17% standard sales tax. Category-wise rates for items sold by integrated retailers is as below:

Item category	Rate of sales tax	Example
Items falling in Sixth Schedule to the Sales Tax Act, 1990	Exempt i.e. no sales tax to be charged	Milk, rice, wheat flour, pulses, fruits & vegetables (except canned and packaged), uncooked meat,

		poultry, eggs, stationary items, medicines, laptops and personal computers etc
Items falling in Eighth Schedule to the Act	Reduced rate as provided in the Schedule	Dairy items other than milk, fat-filled milk (tea-whitener), flours other than that of wheat, if sold in retail packing under a brand name, are subject to sales tax rate of 10%; and prepared products of meat or meat offal, if sold in retail packing under a brand name, are subject to sales tax rate of 8%; Precious jewellery at 1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making charges
Finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather (See S. No. 66 of Table 1 of Eighth Schedule)	14%	Locally manufactured Garments, shoes, bags, made-ups etc of textile, leather and artificial leather
Mobile phones and satellite phones	Under Ninth Schedule, sales tax is to be paid by the importer and manufacturers only. No sales tax to be charged on subsequent supplies. However, suppliers may pass on the burden of sales tax charged on their purchases in their selling price.	Mobile phones and satellite phones
Items not covered above	Standard 17%	Items in Third Schedule except fertilizers, imported textile and leather items, electronic items, watches, sugar, hardware, sanitary ware, kitchenware, toys, furniture, sports goods, surgical instruments, crockery, plastic products, imitation jewellery, etc

Note: Examples given above are indicative only. For detailed lists, descriptions and applicable conditions refer to various Schedules of the Act.

Q. How returns and exchanges are handled in the POS system?

Ans. The software employed by the retailer should be able to handle returns and exchanges. Such software makes the necessary adjustment to sales revenue and the same is also reflected in sales reported to FBR. In case such returns and exchanges are not properly reflected, the retailer can make use of debit / credit notes and record the same in Annex-I of the monthly sales tax return.

Q. Can the retailer make any changes to the sales data populated in Annex-C?

Ans. Retailer cannot delete any entries from Annex-C. However, if any sales could not be accommodated in Annex-C for any reason, the retailer is under obligation to add such sales to Annex-C. In case of return or cancellation of supply, the retailer should make adjustments through debit / credit notes to be recorded in Annex-I.

Q. Should a tier-1 retailer also report his online sales to FBR?

Ans. For online sales, the tier-1 retailer should integrate the utility provided by FBR in his website and ensure that the sales are reported to FBR and FBR invoice number and QR code are printed on the invoice generated and sent to the online customer.

Q. What is the disadvantage to or penalty for tier-1 retailers who fail to integrate their POSs?

Ans. Under section 33 of the Sales Tax Act, 1990, as amended by Tax Laws (Second Amendment) Ordinance, 2019, specific penalty has been provided for retailers failing to integrate. Under the newly added clause 25 in the Table in section 33, a tier-1 retailer failing to integrate shall be liable to penalty of Rs. 1 million, and in the event of continuing failure may face sealing of his premises and embargo on his sales.

Further, disadvantage of failure to integrate, as provided in sub-section (6) of section 8B, is that the adjustable input tax of the retailer shall be reduced by 15%.

Q. What is the penalty if an integrated retailer tries to bypass the system and fails to report any sales to FBR?

Ans. Under clause 24 of Table in section 33, such retailer shall face a penalty up to five hundred thousand rupees or two-hundred percent of the tax amount involved, whichever is higher. Such retailer may also to be sentenced to imprisonment which may extended to two years.

Q. Is there a penalty for a software vendor who provides for sale skimming in the software provided to the retailer?

Ans. Under the same clause 24, referred to above, any person who abets or connives with the retailer in suppression of sales or non-reporting of sales may be sentenced to imprisonment for a term which may extend to one year and also to a fine up to two hundred thousand rupees. Software vendor providing for skimming in the software shall be subject to these penal provisions.

Q. Should bakeries or sweetmeat shops also integrate their POSs?

Ans. All those establishments, whether manufacturers or not, who sell their goods to general public for consumption are retailers as provided in clause (28) of section 2 of the Sales Tax Act, 1990. Therefore, bakeries and sweetmeat shops, selling goods to general public are also retailers. Therefore, such bakeries and sweetmeat shops, whether or not manufacturers also, shall be treated as tier-1 retailer if they fall in the definition of tier-1 retailer as in clause (43A) of section 2 and they shall be accordingly required to integrate their POSs.

Q. Should all restaurants integrate their POS with FBR?

Ans. Yes. It is mandatory for all restaurants to integrate their POSs. Chapter XIV-A of the Sales Tax Rules, 2006 pertains to restaurants, snack bars, cafes etc. All such establishments, whether or not falling in category of tier-1 retailers, are required to integrate their POSs under the said Chapter.