

# Sales Tax Guide

(Taxpayer's Facilitation Guide)

**Brochure 015**  
January, 2008

Facilitation & Taxpayer Education Wing



## OUR VISION

To be a modern, progressive, effective, autonomous and credible organization for optimizing revenue by providing quality service and promoting compliance with related tax laws.

## OUR MISSION

Enhance the capability of the tax system to collect due taxes through application of modern techniques, providing taxpayer assistance and by creating a motivated, satisfied, dedicated and professional workforce

## OUR VALUES

Integrity  
Professionalism  
Teamwork  
Courtesy  
Fairness  
Transparency  
Responsiveness

For further details and information on tax matters, please contact our helpline center through:

**Toll Free Telephone 0800-00-227**

Telephone  
051-111-227-227  
051-111-227-228  
Fax 051-9205593

E-mail: [helpline@fbr.gov.pk](mailto:helpline@fbr.gov.pk)

or

Visit our tax facilitation center (located in all major cities)  
or any tax office

or

Visit our website at  
[www.fbr.gov.pk](http://www.fbr.gov.pk)

<b>Table of Contents</b>		<b>Page No</b>
WHAT IS SALES TAX		1
Definitions and meanings of a few commonly used terms		1
Scope of Tax		2
• Goods		2
• Services		2
• Imports into Pakistan		2
Exempt Goods		2
Registration		2
• Who is to be registered?		3
• Procedure of Registration		3
• Where a person is to be registered?		3
• Information to be furnished for registration		3
• Change in particulars of registration		4
• Transfer of registration		4
• Revised registration certificate		4
• Deregistration		4
Filing of Sales Tax Return		4
• Monthly Return		4
• Quarterly Return		4
• Annual Return		4
• Electronic Filing		4
• Record Of Electronic Return		5
Penalties for Late Return Filing		5
Sales Tax Rates		5
• Tax Rate		5
• Zero Rate		5
Value of Supply		5
Time of Supply		6
• Local Goods		6
• Imported Goods		6
• Services		6
Sales Tax Invoice		6
• Composite Invoice		6
• Electronic Invoicing Between Buyers And Sellers.		6
Debit / Credit Notes:		7
• Cancellation or return of supply		7
• Increase in value of supply or the amount of sales tax		7
• Input tax adjustment in respect of supply which has been cancelled.		7
Sales Tax Records		7
• Record of Sales		7
• Record of Purchases and imports		7
• Record of Payments / Receipt		7
• Other Record		8
• Retention Of Record And Documents		8
•		8
Input and Output Tax		8
• Output Tax		8
• Input Tax		8

•	Tax Due	8
•	Example	8
•	Adjustable Input Tax	8
•	Extent Of Adjustment Of Input Tax	8
•	Input Tax Adjustment of Fixed Assets	8
•	Non Adjustable Input Tax	8
•	Partial Exemption / Apportionment	9
Sales Tax Refund		9
•	Who can claim refund	9
•	Filing Of Refund Claim	10
•	Required Supportive Documents For Refund Claim	10
•	Refund of amount overpaid	11
Adjudication		11
•	Jurisdiction and Monetary Competence	11
•	Requirement of show case notice	11
Appeal to the Collector (Appeals)		11
•	Limitation of Time	11
•	Condonation of Delay	11
•	Format of Appeal	11
•	Requirement of Partial payment of principal amount	11
•	Grant of stay by the collector	11
•	Waiver of deposit of Tax	12
•	How the appeal is settled	12
Appeal to the Appellate Tribunal		12
•	Limitation and Computation of time	12
•	Condonation of delay	12
•	Payment of appeal fee	12
Reference to the High Court		12
•	Persons legible to file reference to the High Court	12
•	Limitation of Time	12
•	Issue on which reference can be filed	12
•	Grant of stay by the High Court	12
•	Number of copies of application	12
•	Application Fee	12
Leave to Appeal to the Supreme Court		12
Alternate Dispute Resolution Committee		12
Taxpayer's Authorised Representative		13
•	Who can be authorised?	13
•	Who cannot be authorised?	13
•	How to appoint an authorised representative	13
Recovery		13
Sales Tax Audit		14
•	Advanced Audit Notice	14
•	Audit Observation	15
•	Audit Report	15
•	Concessions	15
Sales Tax Return		16
•	Return	16
•	Instructions	18

## **WHAT IS SALES TAX**

Sales Tax is a tax levied by the Federal Government under the Sales Tax Act, 1990, on sale and supply of goods and services and on the goods imported into Pakistan.

### **Definitions and meanings of commonly used terms.**

#### **Adjudication:-**

It is the process leading to a judicial decision by an officer of sales tax vested with power and jurisdiction under section 45 of the Sales Tax Act, 1990, in case of dispute between Sales Tax authorities and the taxpayer regarding matters such as, assessment of tax, charging of additional tax, imposition of penalty, recovery of amount erroneously refunded or any other contravention under the sales tax law or the rules made thereunder.

#### **Authorised Representative:-**

A person authorized by a taxpayer to represent him or appear on his behalf before the Appellate Tribunal or any other adjudicating authority.

#### **Commercial Importer:-**

An importer who imports taxable goods for further supply in same state.

#### **Composite Invoice:-**

An invoice which shows the sale of taxable as well as exempt goods.

#### **Due Tax:-**

It is the amount of net tax payable by a registered person along with the return.

#### **Exempt Supply:-**

Exempt supply means a supply which is exempt from tax under section 13 of The Sales Tax Act 1990.

#### **Goods:-**

Goods include every kind of movable property other than actionable claims, money, stocks, shares and securities.

#### **Invoice:-**

Under section 23 of the Act a registered person making a taxable supply has to issue a serially numbered tax invoice at the time of supply of goods.

#### **Input tax:-**

Input tax is the tax paid by registered person on the taxable goods and services purchased or acquired by him. This includes the sales tax paid on imports.

#### **Input Tax Adjustment:-**

Input tax adjustment is the deduction of input tax from output tax to arrive at the net amount of sales tax payable by the taxpayer. Since sales tax is a value added tax, it is to be charged at each incremental stage of value addition, otherwise there may occur double taxation. Input tax is adjusted against output tax so as to avoid such double taxation and to calculate the correct amount of tax due to the government.

#### **Output tax:-**

It is the sales tax charged and levied on the sale or supply of goods or services on which sales tax is leviable.

#### **Services:-**

Sales tax is also leviable on rendering of certain services such as hotels, marriage halls, clubs, caterers, advertisements, custom agents, ship chandlers, stevedores, courier services, beauty parlors, beauty clinics and slimming clinics. .

#### **Supply:-**

Supply includes sale or other disposition of goods in furtherance of business carried out for consideration including putting to private, business or non business use of goods acquired, produced or manufactured in the course of business.

#### **Tax Period:-**

Tax period means a period of one month or such other period as the Federal Government in the Official Gazette may specify.

#### **Taxable Goods:-**

Taxable Goods means all goods other than those which have been exempted from sales tax under section 13 of the Sales Tax Act 1990.

#### **Value of Supply:-**

It is the value of goods or services determined to arrive at the amount of tax due.

#### **Value of Imported Goods:-**

Value for the purpose of sales tax on imported goods means the value determined under section 25 or section 25-B of the Customs Act

1969, including the amount of customs duties and central excise duty levied thereon.

### **Zero –Rated Supply:-**

Zero rated supply means a taxable supply which is charged to tax at the rate of zero percent. It is different from exempt supply in the sense that in case of exemption no sales tax is leviable whereas zero rated goods are chargeable to sales tax but at the rate of zero percent. Added benefit of zero- rated supplies is that input adjustment/refund of sales tax paid on inputs is admissible.

### **SCOPE OF THE TAX**

Sales tax applies to the following:

#### **Goods**

All goods are taxable except those that have been exempted under section 13 of the Sales Tax Act, 1990. For sales tax purposes goods include every kind of movable property other than actionable claims, money, stocks, shares and securities.

#### **Services:-**

The following services have been brought under the sales tax regime through respective Provincial Ordinances and Islamabad Capital Territory Ordinance. Any person providing or rendering the following services should register with the sales tax department and pay sales tax.

- Services provided or rendered by hotels, marriage halls, lawns, clubs and caterers.
- Advertisements on Television and Radio excluding advertisements;
  - sponsored by a Government Agency for health education;
  - public service messages if telecast on television by World Wildlife Funds for Nature or UNICEF.
- Services provided or rendered by persons authorized to transact business on behalf of others;
  - custom agents;
  - ship chandlers;
  - stevedores.

- Courier Services

Beside these services there are three excisable services on which Federal Excise duty is collected in the sales tax mode. These are:

- Telecommunication services;
- Travel by air or rail ( A/C, 1st class only); and
- Carriage of goods by air

### **Imports into Pakistan**

All goods imported into Pakistan are liable to sales tax at the time of import, except goods specifically exempted under section 13 as mentioned in Sixth Schedule to the Act.

### **EXEMPT GOODS.**

Under section 13 of The Sales Tax Act 1990, the Sixth Schedule of the Sales Tax Act, 1990 specifically and explicitly mentions those goods on which exemption of sales tax is available. Other exemptions are available in various notifications (SROs) issued by the Government under section 13. A complete list of such goods can be obtained from local Sales Tax Office or sales tax official web site , [www.cbr.gov .pk](http://www.cbr.gov.pk).

### **REGISTRATION**

#### **Who is to be registered?**

- a. All importers
- b. All wholesalers (including dealers) and distributors
- c. Manufacturers not falling in cottage industry. {Cottage industry is defined as having annual turnover below Rs.5 million and whose annual utility bill (including electricity , gas and telephone) does not exceed rupees six hundred thousand}.
- d. Retailers (having value of supplies of over 5 million rupees, in any tax period during the last 12 months.
- e. A person required under any Provincial or Federal Law to be registered for purpose of any duty or tax collected or paid as if it were a levy of sales tax, e.g. service providers like hotels, clubs, caterers, customs agents,

ship chandlers, stevedores, courier services etc.

- f. Persons making zero-rated supplies, including commercial exporter who intends to obtain sales tax refund against his zero rated supplies .
- g. A person who is required to be registered by virtue of aforesaid criteria, but still avoids registration, can be compulsorily registered by the department, after proper enquiry , under sub-rule 1 of Rule 6 of Sales Tax Rules, 2006.

### Procedure of Registration

1. The application may be submitted electronically on Form STR-1 as well as either through post or courier services to Central Registration Office (CRO). Application can also be sent to Local Registration Office (LRO) in the form of hard copy. The LRO after proper scrutiny of documents and necessary editing of the application and particulars, electronically forwards the application to CRO.
2. All the columns of the Forms have to be duly filled in as per instructions given with the Form.
3. After verification, the Central Registration Office will issue a Registration Certificate bearing registration number and mail the same to the Registered Person, on a prescribed Form (STR-5)

Office (CRO) normally verifies the contents from the data available with it, but has an authority to get an enquiry conducted through Local Registration Office, to verify contents of declaration by a person. The CRO may reject the application within fifteen days from the date, the complete application is received in CRO, under intimation to the applicant, specifying the reasons for such rejection.

### Where a person is to be registered?

1. A corporate person (listed/ unlisted public company, private limited company) has to be registered under the Collectorate where the registered office of the business is located.
2. A non-corporate person is to be registered under the collectorate, where the business is actually carried on.
3. In case of non-corporate person having single manufacturing unit and the same is located in a different place than the business premises, in the Collectorate having jurisdiction over the manufacturing unit. A corporate person has the option of transferring his registration to the place of business.

### Information to be furnished for registration

- I. Complete business name
- II. Business nature, main / activity or service;
- III. Complete address of Head Office and all business units, godowns, outlets mentioning, phone, fax, e-mail, electricity, gas consumer no. etc.
- IV. All Bank account numbers, with name and address.
- V. NTN (National Tax Number)
- VI. NIC (National Identity Card Number) of the owner, partners or directors of the business (passport number in case of foreigner).
- VII. In case of a company, registration number and date of incorporation.
- VIII. Every director / member of AOP has to fill in STR – 1 (A) Form.
- IX. Date of commencement of business and initial capital employed.
- X. The mode of maintenances of business records should also be mentioned.

## **Change in particulars of Registration**

In case there is a change in the name address , or other particulars as stated in the **registration certificate**, the registered person shall notify the change in the prescribed form STR-2 to the CRO within fourteen days of such change. The change in the business category shall be allowed after LRO has verified the manufacturing facility and confirmed the status as industrial consumer of the electricity and gas distribution companies.

## **Transfer of Registration**

In case a registered person intends to shift his business activity from the jurisdiction of one collectorate, to another collectorate, or as the case may be to an RTO or LTU, or he has any other valid reason for such transfer, he shall apply to the CRO for transfer of his registration , along with form STR-2. The CRO may subject to such conditions, limitations or restrictions as it may deem fit to impose, by an order , transfer the registration of a registered person from the jurisdiction of one collectorate , to another collectorate , or as the case may be to the LTU or RTO. The return for the tax period in which the registration is transferred shall be filed in the collectorate from where the registration is transferred.

## **Revised Registration Certificate.**

In case of multiple registrations, the registered person shall apply on Form STR-1 for single registration to the CRO which after ascertaining tax liabilities from concerned Collectorate shall issue revised registration certificate in which previous registration number shall be merged.

## **Deregistration**

### **A registered person can be deregistered**

- who ceases to carry on the business, or
- whose supplies become exempt from sales tax, or
- whose turnover becomes less than the threshold level

can apply for cancellation of the registration.

## **FILING OF SALES TAX RETURNS**

A Sales Tax return is the taxpayer's document of declaration through which taxpayer not only furnishes the details of transactions during a tax period but also deposits his Sales Tax liability. On the return form, the taxpayer declares for a particular tax period and respective input tax and output tax, at prescribed rate of Sale Tax. In case input tax exceeds output tax, the amount of refund claimed or excess input tax is also declared in the return. For different categories of taxpayers, monthly, quarterly or annual returns may be filed on prescribed format as follows:-

### **Monthly Return**

Under the standard procedure a registered person is required to file monthly return by the 15<sup>th</sup> day of the month following the period in which the supplies were made, in the designated branches of National Bank of Pakistan. In case of certain categories as mentioned below procedure has been devised to file return on monthly and quarterly basis.

### **Quarterly Return**

The taxpayers falling exclusively in the category of commercial importer, i.e the importer who imports taxable goods for business activity other than industrial use of such goods or manufacturing by himself, is required to file the return on quarterly basis.

### **Annual Return**

A private or public, Ltd Company is to file annual Sales Tax return, for a financial year by the 30<sup>th</sup> September of the following financial year.

### **Electronic Filing**

Facility of Electronic filing of Sales Tax return has also been made available to the following categories of registered persons.



- a). the registered persons falling in the jurisdiction of the Large Taxpayers Units, Karachi and, Lahore.
- b). the private and public Ltd companies registered in any Collectorate of Sales Tax.
- c). other taxpayers who may like to opt for electronic filing of sales tax returns.

The procedure for e-filing has been laid down in the Sales Tax General Order No.4/2007. A registered person shall obtain a unique identifier and password by visiting FBR's web portal at e.fbr.gov.pk. He can then file the return by selecting declaration "sales tax" from the web portal. The return data shall be filled in a web form and directly transferred to FBR's server.

#### **Record of Electronic Return**

The electronic sales tax return and its relevant attachments, if any, shall be kept in electronic record of the registered person and shall be produced to the officer-in-charge on demand along with the supportive documents. If the delay is beyond 15 days, a penalty of Rs.5000/= is payable.

#### **Penalties for Late Return Filing**

If a return is not filed within 15 days after the end of the relevant tax period, a registered person will be liable to a penalty besides additional tax at the rate of Rs 100/- per day. If the delay is beyond 15 days, a penalty of Rs. Five Thousand is payable.

If full amount due is not paid, any outstanding balance will also attract additional tax and a penalty.

If a registered person fails to deposit the correct amount of tax for two consecutive months he/she will be deemed to have committed a tax fraud for which the penalty is Rs. 10,000 or five percent of the amount of tax involved, whichever is higher, besides prosecution.

#### **SALES TAX RATES**

#### **Tax Rate**

Three different rates in the slabs of 15% 17.5% and 20% have been maintained. Sales Tax is levied at the rate of 20% on the import and supply of seventy items as mentioned in Table-1 of the SRO 466(1)/2007 dated 27-06-2007, whereas seven items mentioned in Table-2 of the same SRO Notification are subject to sales tax at the rate of 17.5%. The remaining goods or services are subject to the rate of 15%, unless they happen to be exempt from sales tax under the sixth schedule to the Sales Tax Act, 1990.

#### **Zero Rating**

Zero rated goods are those goods on which the impact of tax paid is offset by subsequently allowing refund or input adjustment equivalent to the tax already paid. Zero rating is different from exemption in the sense that no tax is to be paid on the exempt goods whereas in case of zero rated goods not only that no sales tax is payable on supply but refund or input tax adjustment of tax already paid is allowed.

Following categories of goods fall in the category of zero rated goods:

- (a) All exports (except those made by land route to Afghanistan) are zero-rated.
- (b) Other zero-rated supplies are mentioned in section 4 and the Fifth Schedule of the Sales Tax Act, 1990, which include supplies to diplomats, privileged persons and privileged organizations, supplies of raw materials to Export Processing Zones, and
- (c) Supplies made against international tenders.

A person making both zero-rated supplies and taxable supplies or providing taxable services will charge sales tax only on the taxable supplies /services

#### **VALUE OF SUPPLY**

For sales tax purposes, 'value' means the value on which amount of sales tax is calculated. In case of local supply, the value is the amount paid for the goods or services including all the federal and provincial taxes but excluding the amount of sales tax. Normal trade discounts are allowed under sales tax law.

For imported goods the value means the value determined under the Customs Act, 1969 including the amount of customs duty and federal excise duty.

The value of supply of goods as listed in the Third Schedule of the Sales tax Act 1990 is based on the retail price printed on the product. The goods include fruit and vegetable juices, ice cream, aerated water and beverages and cigarettes.

### **TIME OF SUPPLY**

Sales tax is chargeable at the time of supply of goods or services. The time of supply means the time of delivery of goods by the supplier.

### **EXPLANATION**

a) Where any goods are supplied by the registered person to an associated person and the goods are not to be removed, the time of supply shall be the time at which the goods are made available to the recipient.

b) Where the goods are supplied under hire – purchase agreement, the time of supply shall be the time at which the agreement is entered into.

### **Imported Goods**

The time when sales tax is applicable for the imported goods is the time of importation i.e. filing of bill of entry or customs declaration. Sales tax on imported goods is collected in the same manner and at the same time as if it were customs duties on imported goods.

### **Services**

The time of supply for services rendered is the date when the service to be performed is completed.

### **SALES TAX INVOICE**

In terms of section 23 of the Sales Tax Act, 1990 a registered person must provide a sales tax invoice for all taxable supplies.

The tax invoice should contain the following information;

- a serial number

- name, address & registration number of the supplier;
- name, address & registration number of the buyer;
- date of issue of invoice;
- description / quantity of goods;
- value, exclusive of tax;
- amount of sales tax; and
- the rate of discount, if offered;
- value inclusive of tax.

### **Composite Invoice:**

If more than one type of goods or services such as zero rated, exempt and taxable is included in the invoice, it must show the quantity, the amount payable, the rate of sales tax and the amount of tax for each type.

### **Electronic Invoicing Between Buyers And Sellers**

A procedure has been devised for the registered persons who opt for electronic transmission of sales tax invoices. Every registered person who wishes to use electronic invoicing system shall seek prior authorization in writing, from the concerned collector, before issuing electronic invoices. The registered person shall issue an electronic sale tax invoice for every taxable supply made by him, containing such information as required under section 23 of the Act. The registered person shall retain the record and documents for a period of five years on electronic media,.

A sales tax invoice may be generated and transmitted electronically where the authenticity of the origin and integrity of the invoice data are guaranteed by means of either an advanced electronic signature or electronic data interchange or by any other means approved by the collector. The registered person shall simultaneously transmit a copy of all such electronically issued invoices to the Collector of Sales Tax. Same shall apply to the buyer who receives electronic invoices from the registered supplier.

“Debit Note” otherwise the contents of the debit note are similar to credit note.

### **Debit/Credit Notes:**

Debit or credit note may be issued to reduce or increase the amount of sales tax payable on a supply if the amount originally charged has changed because of return of goods or for some other valid reason.

### **Cancellation or return of supply:-**

Where a registered person has made a supply, and such supply or part thereof is cancelled or returned, the buyer or the recipient shall issue a debit note (in duplicate) in respect of such supply or part thereof, indicating the quantity returned or the supply of which has been cancelled, its value determined on the basis of the value of supply, as shown in the tax invoice issued by the supplier and the amount of related sales tax paid thereon. In such a situation, the supplier shall issue a credit note with the following particulars.

- i. Name and registration number of supplier
- ii. Name and registration number of recipient.
- iii. Number and date of original Sales Tax invoice.
- iv. The original value and Sales Tax as in original invoice.
- v. The revised value and Sales Tax.
- vi. The difference of value and Sales Tax adjustable.
- vii. The reason for revision of value; and signature and seal of authorized person issuing the note.

### **Increase in value of supply or amount of sales tax:-**

If for any reason the value of supply or the amount of Sales Tax mentioned in the invoice issued has increased the supplier shall issue a debit note (in duplicate, with the particulars same as above) and vice versa the buyer shall issue a credit note. A debit note must be headed

### **Input tax adjustment in respect of supply which has been cancelled:-**

The buyer shall not be entitled to claim input tax in respect of the supply which has been cancelled or returned to the supplier or in respect of which the amount of tax was reduced.

In situations, where input tax has already been claimed by the buyer, the amount of input tax shall be increased or reduced by the corresponding amount as mentioned in the Debit note or Credit note, in the return for the period in which respective note was issued.

### **SALES TAX RECORDS**

A registered person must keep a record in English or Urdu of all the goods and services supplied, purchased or imported in the course of business.

#### **Record of Sales**

The record of sales should indicate the following details of goods supplied or services rendered:

- description;
- quantity;
- value;
- name and address of the customer, and
- amount of tax charged.

At the end of each month, a registered person must add up the sales tax shown in these records, and transfer the total to sales tax account as output tax.

#### **Record of Purchases and imports**

The record of purchases and imports should indicate the following details of goods purchased or received or services hired:

- description;
- quantity;
- value;
- name, address and registration number of the supplier,
- amount of tax paid on purchases.

#### **Record of Payments/Receipts**

All payments or receipts of amount of sales tax on purchases or supplies above Rs. 50,000

(except utility bills) should be made through bank instruments indicating specified bank accounts of both the persons i.e., sellers and purchasers. It is recommended that records/ photocopies of all bank instruments through which payments of sales tax are made or received must be kept along with bank statements for the purpose of compliance of section 73 of the Act and to avoid audit complications.

### **Other Records**

A registered person should also keep record of

- Zero-rated and exempt supplies,
- Record of invoices, credit notes, debit notes, bank statements, inventory records,
- Utility bills, salary and labor bills, rental agreements, sale purchase agreements and lease agreements.

### **Retention Of Record And Documents**

A registered person is required to maintain a record and documents for a period of five years after the end of the tax period to which such record and documents relate.

### **INPUT TAX AND OUTPUT TAX**

An important feature of the sales tax is the adjustment of input tax paid on purchases and imports, meaning thereby that a registered person has to pay sales tax only on his value addition.

#### **Output tax**

It is the total amount of sales tax charged at current rate of sales tax on taxable sales made during the month i.e. total sales excluding exempt and zero-rated supplies.

#### **Input tax**

It is the amount paid by the registered person on business purchases and imports. He/she can claim a deduction for the sales tax paid as input tax if used in the manufacture of taxable supplies.

#### **Tax Due**

For a particular tax period it will be the output tax minus input tax during that tax period..

### **An Example**

For example if a registered person has bought goods that cost Rs 100 and he/she is charged Rs 15 as sales tax (input tax) at the rate of 15% his total purchase price becomes Rs 115. If he/she sells the goods for Rs 200 and charges Rs 30 @ 15%(as output tax) his total sale price becomes Rs 230.

Output tax (15% of 200)	= Rs. 30
Less: Input tax (15% of 100)	= Rs. 15
Tax due (Rs. 30 minus Rs. 15)	= Rs. 15

### **Adjustable Input Tax**

In a particular tax period, a registered person can adjust input tax paid on goods and services purchased from local market, imported from abroad and goods purchased in auction during that tax period. He/she can also claim input tax paid in the immediate twelve preceding tax periods by mentioning the reasons for not claiming it earlier on the sales tax return.

### **Extent of Adjustment of Input Tax**

In relation to tax period, a registered person shall not be allowed to adjust input tax in excess of ninety percent of the output tax for that tax period. The adjustment or refund of remaining input tax shall be made on yearly basis in the second month following the end of the financial year of the registered person.

### **Input Tax Adjustment on Fixed Assets**

The tax charged on acquisition of fixed assets shall be adjustable against the output tax in twelve equal monthly installments after the start of production of a new unit.

### **Non-Adjustable Input Tax**

Input tax cannot be adjusted on purchases of goods and services that are not used in making of taxable supplies.

Input tax is also not adjustable on the following goods, if acquired other than as stock-in-trade:

- Vehicles falling in chapter 87 of the First Schedule to the Customs Act, 1969.
- Food, beverage, garments, fabrics etc and consumption on entertainment:
- Gifts and give aways.

For further details please see SRO 490(I)/2004 dated June 12<sup>th</sup> 2004.

A tax credit cannot be claimed unless the registered person holds a valid tax invoice or bill of entry or treasury challan Form in case of goods purchased in auction.

Input tax credit cannot be claimed also if payment of the amount of sales tax is not made or received through banking channel as prescribed in section 73 of the Act.

### **Partial Exemption / Apportionment**

Under the Sales Tax law, adjustment of input tax paid on raw materials, is admissible only in case of taxable supplies. The law does not allow adjustment of input tax paid on raw materials relating to exempt supplies.

There may be situations, where registered persons make taxable and exempt supplies simultaneously. In such situation following formula has been devised in Chapter iv of Sales Tax Rules 2006:

$$\text{RITC (on taxable supplies)} = \frac{\text{VTS} \times \text{RIT}}{\text{VTS} + \text{VES}}$$

Where

RITC=Residual input tax credit  
VTS= Value of Taxable Supplies

VES= Value of Exempt Supplies

RIT= Residual Input Tax

In the above formula, "residual input tax" means the amount of tax paid on raw materials, components and capital goods having used for making taxable supplies as well as exempt supplies, but does not include the input tax paid on raw materials used wholly for making taxable or exempt supplies.

### **An Example**

If the amount of tax paid on raw materials, components and capital goods used for taxable as well as exempt supplies is Rs. 100. If out of this amount of Rs. 100, Rs. 20 is paid for inputs used in taxable supplies and Rs. 30 is paid for inputs used in the production of exempt supplies then Rs. 50 i.e. 100-(20+30) is the "residual input tax".

Now the residual input tax credit on taxable supplies can be calculated as below

Suppose:

VTS=90, VES=60 then,

$$\begin{aligned} \text{RITC (on taxable supplies)} &= \frac{90 \times 50}{(90+60)} \\ &= 30 \end{aligned}$$

Monthly adjustment of input tax claimed by a registered person through above formula shall be treated as provisional adjustment and at the end of each financial year, the registered person shall make final adjustment on the basis of taxable and exempt supplies made during the course of that year.

### **SALES TAX REFUNDS**

- If the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five days of filing of refund claim in such manner and subject to such conditions as the board may, by a notification in the official Gazette specify.

### **Who can claim refund?**

Refund of sales tax paid as input tax can be claimed by the following registered persons in the respective situations:

- (a) Registered manufacturer-cum-exporters and commercial exporters who zero rate all or part of their supplies under section 4 of the Act;
- (b) registered persons who acquire tax paid inputs for use thereof in the manufacture of goods chargeable to sales tax at the rate of zero percent under the Act or a notification issued there-under
- (c) Registered persons claiming refund of the excess amount of input tax which could not be consumed within three months;

(d) Registered persons who acquire tax paid inputs used in the export of goods, local supply of which is exempt under the Act or any notification issued there-under.

(e) Refund can also be claimed if an amount of sales tax is paid inadvertently or by mistake.

may also be

(f) Refund may also be claimed if an amount is paid on demand of the department, but subsequently the demand is set aside by any competent authority, Tribunal or Court.

### Filing Of Refund Claim.

Monthly sales tax return filed by a claimant shall be treated as a refund claim once all the supportive documents including the requisite data in the format or software has been received. No refund claim shall be entertained if the claimant fails to furnish the claim on the prescribed software alongwith the supportive documents within sixty days of the filing of return.

### Required Supportive Documents For Refund Claim.

The refund claimant shall submit to the Refund Division of the concerned Collectorate, RTO or Large Taxpayer unit, as the case may be, the refund claim in computer diskette in the prescribed format or software along-with the following documents, namely:-

- (a) Input tax invoices or as the case may be, goods declaration for import in respect of which refund is being claimed;
- (b) output tax invoices and summary of invoices for local zero rated goods.
- (c) goods declaration for export (quadruplicate copy) indicating Mate Receipt number with date or airway bill or railway receipt or postal receipt besides the examination report endorsed on the reverse side thereof by the

customs officers; in case of claims by persons other than manufacturer-cum-exporter of goods zero-rated in a notification issued under section 4 of the Act.

Provided that in case of imports or exports processed through PACCS, submission of goods declaration shall not be required and cases shall be processed by cross-matching of the declarations with the data available in the system.

- (d) copy of House and Master bill of lading and airway bill or as the case may be, railway receipt in token or verification of the goods taken out of Pakistan; and
- (e) statement of the tax paid inputs, in respect of which refund is claimed by the claimants other than the manufacturers of the goods zero-rated for supplies.

(2) In addition to the documents specified above, a commercial exporter shall submit bank credit advice issued by the concerned bank and copy of the duty drawback order, if issued by the customs authorities.

(3) Where the refund claim is filed under section 66 of the Act, the claimant shall submit an application for refund indicating his name, address, registration number, the amount of sales tax refund claimed and reasons for seeking such refund along-with following documents, namely:---

- (a) input tax invoices in respect of which refund is claimed;
- (b) proof of payment of input tax claimed as refund; and
- (c) copy of the relevant order on the basis of which refund is claimed.

(4) The refund claimed under section 66 of the Act shall be sanctioned after

verifying that no adjustment or refund of input tax has been claimed earlier and that the goods have been duly accounted for in the inventory records and the invoices claimed are validated by the CREST (Computerised Risk – Based Evaluation of Sales Tax) System.

**Refund of Amount Overpaid**

If a registered person has over paid sales tax because of error, he/she may request a refund of the over paid amount from the tax authorities within one year after the payment is made or after the decision or order causing the refund is announced from the end of the period for which a claim is made.

**ADJUDICATION**

In situations which involve contravention on the part of the registered person with respect to assessment of tax, recovery of amount erroneously refunded, charging of default surcharge, imposition of penalty and any other contravention under the Sales Tax Act, the sales tax officers are vested with the powers and jurisdiction to adjudicate such cases after issuing the proper show cause notice and providing opportunity of hearing to the taxpayer.

**Jurisdiction and Monetary Competence:-**

For the purpose of adjudication , the jurisdiction of respective adjudicating officers is fixed according to the amount of tax involved or amount erroneously refunded as following:

Additional Collector	Unlimited
Deputy Collector	Above Rs.1 million And below Rs.2.5 million.
Assistant Collector ---	Above Rs.10000 and below Rs.1 million
Superintendent	Below Rs.10000

**Requirement of show cause notices for adjudication:-**

When the tax is not levied, short levied or erroneously refunded by reason of some collusion or some deliberate act, the person liable to pay the tax or refund shall be served with a notice within five years of the relevant

date, requiring him to show cause for payment of amount specified in the notice.

When the recovery of tax or refund is necessitated due to any inadvertence , error or misconception, the person liable to make the payment shall be served with show cause notice within three years of the relevant date. The expression relevant date means the time when the tax was due to be paid , and in case where tax has been erroneously refunded, the date of its refund.

**APPEAL TO THE COLLECTOR APPEALS:-**

An appeal can be field with the Collector (Appeals) against the order-in-original passed by the Additional Collector, Deputy Collector, Assistant Collector and Superintendent.

**Limitation of time:-**

An appeal before the collector (Appeals), has to be filed within thirty days of the receipt of decision or order passed by the Additional Collector, Deputy Collector, Assistant Collector or Superintendent.

**Condonation of delay:-**

An appeal preferred after the expiry of thirty days may be admitted by the Collector (Appeals) if he is satisfied that the appellant has sufficient cause for not preferring the appeal within the specified period.

**Format of Appeal:-**

No specific format for appeal has been prescribed under the law.It is however advisable that Memo of appeal should be accompanied by supporting documents such as show cause notice issued to the appellant by the adjudicating officer at the original stage, order-in-original passed by the adjudicating authority and the documentary evidential material in support of the appellant.

**Requirement of partial payment of principal amount:-**

Any person desirous of, preferring an appeal against any decision or order relating to any tax demand or any penalty imposed under the Sales Tax Act, shall , before preferring the appeal deposit 15% of the principal amount of tax under such decision or order.

**Grant of stay by the Collector:-**

Once the appellant has deposited 15% of the principal amount of tax, recovery of remaining amount of tax due shall be stayed for a period not exceeding six months following the day on which the 15% amount of principal tax was deposited, unless the case is finally decided earlier.

**Waiver of prior deposit of tax:-**

In any case, where Collector (Appeals) is satisfied that the deposit of tax as aforesaid, is likely to cause undue hardship to the appellant, he may dispense with such deposit, subject to such conditions or restrictions, he may deem fit to impose.

**How the appeal is settled:-**

The Collector of Sales Tax (Appeals) may, after giving both parties to the appeal an opportunity of being heard, pass such order as he thinks fit, confirming, varying, altering, setting aside or annulling the decision or order appealed against.

**APPEAL TO THE APPELLATE TRIBUNAL**

An appeal can be filed against the order of the Collector(Appeals) before the Appellate Tribunal.

**Limitation and computation of time:-**

The limitation for preferring an appeal against any order or decision of an officer of Sales Tax under the Act is 60 days from the date of receipt of such order or decision. The day on which the order is passed and the period upto issue and receipt of the order is to be excluded in computing the period of limitation of 60 days.

**Condonation of delay:-**

The Appellate Tribunal has been empowered to condone the delay in filing the appeal, if it is satisfied that the appellant had sufficient cause for not filing the appeal within time.

**Payment of Appeal fee:-**

For filing appeal a fee of Rs. 1000 has to be deposited in the government Treasury ( or in any designated branch of the National Bank of Pakistan) under the head "B02341-Sales Tax".

**REFERENCE TO THE HIGH COURT**

**Persons legible to file reference to the High Court:-**

The person aggrieved by the order of Appellate Tribunal may prefer an application to the High Court.

**Limitation of Time:-**

The reference has to be filed within ninety days of the communication of the order of the Appellate Tribunal.

**Issues on which reference can be filed:-**

Reference to the High Court can be filed if a question of law arises out of the Appellate Tribunal's order, against which application is being preferred.

**Grant of stay by the High Court:**

Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal. However, where a recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it is made unless the reference is decided, or such order is withdrawn , by the High Court, earlier.

**Number of Copies of application:-**

The application must be made in triplicate.

**Application Fee:-**

The application must be accompanied with a payment challan showing deposit of Rs. 100 in the treasury, or National Bank of Pakistan or State Bank of Pakistan.

**LEAVE TO APPEAL TO THE SUPREME COURT:-**

Against the order of the High Court a leave to appeal can be sought from the Supreme Court of Pakistan.

**Alternative Dispute Resolution:-**

With a purpose to reduce the volume of long pending disputes between the department and the taxpayers the government has devised an alternative arrangement whereby disputes may be settled between the parties out of court. This arrangement has been provided for in section 47- A of the Sales Tax Act, 1990, whereby taxpayers can apply to the Board for constitution of Alternative Dispute Resolution Committee. Only those cases can be requested for alternative dispute resolution which are pending at some appellate forum. The committee



comprises one chairman and two members. The chairman and one member of the committee are from the private sector whereas the second member is to be a Collector or an Additional Collector. The applicant taxpayer is to submit the application to the Board in four copies, i.e, one copy for each of the official on the panel of the committee and the remaining for the record. The application should contain facts and arguments on the case and supporting references such as copies of show cause notice, order- in –original, order- in- appeal and citations and authorities to be quoted, if any. The Board, after scrutinizing the application , constitutes the committee. The committee after affording the hearing opportunity to both the parties concludes its report of recommendations and forwards the same to the Board. The Board may on the recommendation of the committee, pass such order as it deems appropriate. In case the matter is already sub-judice before any authority, or tribunal or court, an agreement made between the registered person and the Board in the light of recommendations of the committee shall be submitted before that authority, tribunal or the court for consideration and orders as deemed appropriate.

### **TAXPAYER’S AUTHORIZED REPRESENTATIVES**

#### **Who can be authorized?:-**

A taxpayer can authorize the following persons to represent the taxpayer before the adjudicating authority and the Appellate Tribunal.

- i) A full time employer of the taxpayer, holding at least a bachelor degree.
- ii) A practising lawyer
- iii) A person holding a bachelor or Masters degree in Commerce.
- iv) A retired officer of Sales Tax, Customs or Federal Excise department who has put in at least 10 years of satisfactory service not lower than post of an Assistant collector.
- v) An accountant.

#### **Who cannot be authorised?:-**

- i) A person who has been convicted of criminal proceedings.
- ii) A person compulsorily dismissed or retired from service.

- iii) A person who is undischarged insolvent.

On receipt of complaint for misconduct against an authorized representative, the adjudicating authority, Appellate Tribunal or the Board may disqualify him from representing the taxpayer

#### **How to appoint an authorized representative:-**

In order to appoint his authorized representative, a taxpayer shall issue a letter of authorization, duly signed by the proprietor, partner or director of the company or, business concern, which shall be submitted by the authorized representative before the adjudicating authority or Appellate Tribunal.

### **RECOVERY**

#### **Initiation of Recovery**

Once an amount of government dues is adjudged against the taxpayer, on expiry of thirty days from the date of such judgment, the referring authority i.e, an officer not below the rank of an Assistant Collector, desiring to recover government dues may deduct the amount from any money owing to the person from whom such amount is recoverable and which may be at the disposal or in the control of such officer.

In case the government dues are not fully recovered by way of aforesaid manner, the referring authority may,-

- (a) serve a notice to the Sales Tax, Customs, Federal Excise and Income Tax officers to deduct the Government dues from any money owing to the defaulter which may be under their control; and a copy of such notice shall be endorsed to the defaulter;
- (b) require by notice in writing, any person or organization who holds, or may subsequently hold, any money for or on account of the defaulter, to pay to such officer the amount specified in the notice;

- (c) require, by notice in writing, the customs officers to stop the clearance of any goods imported by the defaulter; and
- (d) attach the bank accounts of the defaulter:

Either before or after the initiation of recovery proceedings, the Collector may, if so requested by the person concerned, recover the dues in such installments as he may deem proper.

In case a registered person pays the amount of tax less than the due tax as indicated in his return, the referring authority may directly proceed to recover the short-paid amount by attachment of the bank accounts of the defaulter or through stoppage of clearances from the business premises, , after serving a notice for payment of the short-paid amount in three days.

**Stoppage of clearances and sealing of business premises.—**

(1) In case the government dues are not recovered in the aforesaid manner, the referring authority shall serve upon the defaulter a notice , informing him that removal of any goods from his business premises shall be stopped with effect from the date specified in the notice till such time the dues are paid or recovered in full:

Provided that if the government dues still remain unpaid, the referring authority shall seal the business premises of the defaulter till such time the dues are paid or recovered in full.

(2) If the referring authority is satisfied that the defaulter is likely to conceal, remove or dispose of the whole or any part of such of his movable or immovable property, as shall be liable to attachment in the process of recovery, and that the realization of government dues in consequence be delayed or obstructed, he may at any time after the issuance of the notice direct, for reasons to be recorded in writing, execution of the notice by ignoring the specified time limit.

(3) The referring authority may, if he deems fit, publish such recovery notice, in one or more newspapers circulated in the district of normal residence of the defaulter.

**Demand note.—**

In the event of failure of aforesaid recovery measures taken by the referring authority ,the referring authority, shall issue a demand note, to the Recovery Officer, specifying therein the details of Government dues meant for recovery and shall also certify that the formalities under clauses (a), (b), (c), (ca), (d) and (f) of sub-section (1) of section 48 of the Act have been completed and there exists no bar or stay order against the proposed recovery.

**Attachment and sale of property.—**

The Recovery Officer, on receipt of the demand note, shall serve upon the defaulter a notice and his movable and immovable property shall stand attached and subsequently shall be sold if the recovery is not otherwise effected.

**SALES TAX AUDIT**

All registered/enrolled taxpayers are liable to audit by authorized sales tax Auditors at least once in a year.

In some cases Chartered Accountant or a Cost & Management Accountant appointed by the CBR may also conduct audit.

**Advanced Audit Notice**

The local Sales Tax Office informs the registered person about a proposed visit of the auditor in advance. The advance notice includes:

- details of the record required to be audited;
- the period to be covered;
- starting date for the audit; and
- name of the auditors.

Sometimes however, audit may be conducted without advance notice. In such an event, the auditors will identify themselves, and show their authority for the visit. If there are any doubts about the veracity of the audit or the auditors, a registered person may contact the Collector of the local Sales Tax Office to confirm the information given by the auditors.

A registered person is required to cooperate with the auditors and give all business records to them. This includes:

- sale and purchase invoices

- sale and purchase ledgers or records
- credit notes and debit notes
- record of daily aggregate sales (if applicable), etc.
- inventory records
- Import documents
- Bank statements

#### **Audit Observation**

On completion of audit, the auditors will give a copy of an audit observation pointing out any contraventions of the Act or Rules. The registered person has the right to present his point of view on these observations within fifteen days of the receipt of such observations.

#### **Audit Report**

In case the reply from the registered person is not received within 15 days or the Assistant Collector Audit is not satisfied with the reply, he/she issues an audit report specifying the violations of the Act or rules committed by the registered person along with the amount of tax or charge payable by the registered person.

#### **Concessions**

If a registered person deposits the amount of tax short paid or evaded along with additional tax before he/she receives a notice for audit, penalty shall not be payable.

However, if the same is done any time during the audit or before issuance of audit report, he/she would have to pay 25 percent of the penalty payable under section 33 of the Act. In case it is done after the show cause notice is issued, he/she would have to pay the full amount of penalty under section 33 of the Act.



<b>Registry</b>	Name <input style="width:90%;" type="text"/>	CNIC <input style="width:90%;" type="text"/>	NTN <input style="width:100%;" type="text"/>
	STRN <input style="width:100%;" type="text"/>	(if individual) <input type="checkbox"/> Normal Revised <input type="checkbox"/> Monthly Quarterly <input type="checkbox"/>	Tax Period <input style="width:20px;" type="text"/> mm <input style="width:20px;" type="text"/> yy

**Details of taxable purchases from top 20 suppliers (exclude utilities and 3rd schedule items)**

Note: Please provide complete invoice summary of all taxable purchases and sales electronically to CBR or manually to Collectorate, if not fully covered by details below.

Sales Tax credit	Supplier's STRN	Purchase	% Rate	Sales Tax	Supplier's STRN	Purchase	% Rate	Sales Tax	
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-
		-	0.0%	-			-	0.0%	-

**Sales Tax & Federal Excise Return-cum-Payment Challan**

Payable - CF - Refund	45	Whether excluded from Section 8B(1), under SRO 647(I)/2007 (Yes / No)		
	46	<b>Admissible Credit</b> - if 45 = Yes then 21; if 45 = No, then least of "90% of 29" or 21 or 44		-
	47	<b>Payable ST</b> - if 44 > 46 then (44 - 46) otherwise zero		-
	48	<b>Excess Unadjusted Credit</b> - if 45 = Yes and if 46 > 44 then (46 - 44) otherwise zero; if 45 = No then (21 - 46)		-
	49	Input tax paid on inputs consumed in zero-rated supplies/ exports ( <b>Refund Claim</b> )		-
	50	<b>Credit to be carried forward</b> - if 49 > 48, then zero; if 49 < 48, then (48 - 49)		-
51 <b>Sales Tax withheld by the return filer (STWH)</b>				-

Federal Excise		Value	Rate	FED	
Federal Excises	52	Excisable goods cleared for domestic consumption (a)	-	-	-
	53	(b)	-	-	-
	54	(c)	-	-	-
	55	(d)	-	-	-
	56	(e)	-	-	-
	57	Excisable services rendered	-		-
	58	Excisable goods exported	-		-
	59	Zero-rated clearances			-
	60	Exempt clearances	-		-
	61	Less: FED paid on goods used in manufacturing of Goods cleared for domestic consumption	-		-
62	<b>Payable FED</b> - Add 52 to 57 minus 61 (ignore negative value)			-	
63	Excise duty on import of edible oil Rs. / kg				
64	Goods chargeable to special FED	-	1%	-	
65	(-) Special FED on inputs used in manufacturing of Goods cleared for domestic consumption	-	1%	-	
66	<b>Payable Special FED</b> (64 - 65)			-	
67	(-) FED paid on goods used in manufacturing of Goods exported ( <b>drawback</b> )	-		-	
68	(-) Special FED paid on goods used in manufacturing of Goods exported ( <b>drawback</b> )	-		-	
69	(-) Total FED Drawback (67 + 68)	-		-	
70	<b>Total FED</b> (62 + 66 - 69)			-	

PDL	71	<b>Petroleum Development Levy</b>	PDL	-
-----	----	-----------------------------------	-----	---

Sales Tax Arrears		ST liability due to late filing				
Payment	72	Principal amount	-	76	Default surcharge	-
	73	Default surcharge	-	77	Penalty	-
	74	Penalty	-	78	Surcharges	-
	75	<b>ARR (ST)</b> (Add 72 to 74)	-	79	<b>ST (SUR + PEN)</b> (76 + 77)	-
	80	<b>Net Sales Tax Payable</b> (47 + 51 + 75 + 79)				-
	FED Arrears		FED liability due to late filing			
	81	Principal amount	-	85	Default surcharge	-
	82	Default surcharge	-	86	Penalty	-
	83	Penalty	-	87	Surcharges	-
	84	<b>ARR (FED)</b> (Add 81 to 83)	-	88	<b>FED (SUR + PEN)</b> (85 + 86)	-
89	<b>Net FED Payable</b> (if 70 + 84 + 88 > 0 then 70 + 84 + 88, otherwise zero)				-	
90	<b>Net FED Drawback</b> (if 70 + 84 + 88 < 0 then -(70 + 84 + 88), otherwise zero)				-	
91	<b>Total Taxes Payable</b> (71 + 80 + 89)				-	
92	<b>Tax paid on normal/ original return</b> (applicable in case of revised return)				-	
93	<b>Balance Tax Payable/ Refundable</b> (91 - 92)				-	

I, \_\_\_\_\_, holder of CNIC Nr \_\_\_\_\_  
 In my capacity as self/member or partner of association of persons/principal/ officer / trustee/ representative of named above, do solemnly declare that to the best of my knowledge and belief the information given in this return is/ are correct and complete in accordance with the provisions of the Sales Tax Act, 1990, the Federal Excise Act, 2005, and rules and notifications issued thereunder.  
  

Date \_\_\_\_\_
Stamp \_\_\_\_\_
Signature \_\_\_\_\_

Head of Account		Amount	CPR No.	Amount
B02341 - Sales Tax				
B02366 - Sales Tax on services				
B02367 - FED in VAT mode				
B02485 - Federal Excise Duty				
B03041 - PDL				
<b>TOTAL AMOUNT PAYABLE</b>			Total Amount in Figures	
			Amount Received in words :	
				<b>Bank Officer's Signatures, Date &amp; Stamp</b>

## **INSTRUCTIONS-HOW TO FILL UP THE RETURN**

(1) These instructions are illustrative only. They do not replace the legislation as laid down in the Sales Tax Act, 1990 or the Federal Excise Act, 2005.

2) This return is required to be filed by all persons registered under the Sales Tax Act, 1990 and the Federal Excise Act, 2005.

(3) The return shall be filed printed on both sides of paper.

(4) Form provided on website can be used for manual filing. The taxpayer should also manually calculate the data and reconcile with the ones used in the given worksheet and correct where required. The formulas have been provided for assistance only. The new e-filing module is to be launched by 4th or 5th August. All corporate persons and those in LTUs shall file the return electronically.

(5) Instructions relating to different parts of the return are given below:

### **Registry**

#### **CNIC:**

The registered person having the status of 'individual' or 'proprietor' is required to mention his Computerized National Identity Card number. In all other cases this information can be skipped.

#### **Normal/ Revised:**

Normal return means the first return filed for any specific tax period. A revised return can be filed under section 26(3) of the Sales Tax Act, 1990. While filing the revised return, the taxpayer shall tick the relevant box and fill in all the relevant data for the month including the columns which were correctly filled in the normal return.

#### **Monthly/ Quarterly:**

All registered persons are required to file return on monthly basis, except persons engaged exclusively in commercial imports, who shall file the same return on quarterly basis.

### **Tax Period:**

The tax period has to be mentioned in the format "mm yy". For example, August 0807 2007 is to be mentioned as

The persons filing the quarterly return shall mention the last month of the quarter. For example, in case of quarter July to

September 2007, the month of September 2007 should be 0807 mentioned as follows:

### **Sales Tax Credit**

#### **Details of taxable purchases from Top 20 suppliers:**

Details of top 20 local suppliers with respect to tax charged are to be provided in descending order. After providing the details for top 19 suppliers, the total for the remaining suppliers is to be provided in the last row. When a single supplier is making supplies at multiple rates of sales tax, the supplies at each rate are to be provided in separate rows. In case there are no taxable sales to registered persons and the total number of suppliers does not exceed nineteen, the registered person shall not be required to furnish separate invoice summary as prescribed under SRO 559(I)/2006 dated 5.6.2007.

#### **Domestic Taxable purchases/ services @15%, 17.5% and 20%:**

Data of all purchases (goods & services) subject to tax at 15%, 17.5% and 20% is to be given here after adjustment on account of debit/ credit notes. The figures for telecommunication services including telephone will be given here.

#### **Capital/ Fixed Assets to be credited in twelve parts:**

The adjustment of sales tax on each fixed asset has to be spread over twelve months. 'Accumulated amount' is the total value of fixed assets against which adjustment has not been completely made. For example, in the first month fixed assets valuing Rs. 8,000 (sales tax Rs. 1200) were purchased and in the second month assets worth Rs. 16,000 (Sales tax Rs.

2400) were purchased; in first month accumulated purchases would be Rs. 8000 and adjustment of Rs. 100 would be made. In the second month, accumulated purchases would be Rs. 24,000 and the adjustment of Rs. 300 would be made. When all twelve instalments of adjustment against a particular fixed asset have been availed, the value of such asset shall not be mentioned in accumulated amount.

**Others (PI. Specify):**

Data of all purchases/ imports on which sales tax has not been paid on the standard rates (15%, 17.5% or 20%) shall be given here. A brief description must also be provided in the available space.

**Inadmissible input tax relating to exempt supplies/ non-taxed services etc:**

The input tax which is attributed to exempt supplies or to non-taxable services is to be mentioned here. Any other input tax which is not admissible as credit is also to be included. If any part of input tax relates to both taxable and exempt supplies or services, inadmissible input tax is to be calculated in accordance with the Apportionment Rules as in the Sales Tax Rules, 2006.

**Ship imports by ship-breakers:**

The LDT of ships imported during the current month need to be mentioned.

**Commercial Imports (S.R.O. 645(I)/2007):**

The commercial importers shall mention here the total amount of sales tax paid i.e. 2% under SRO 645(I)/2007 plus in addition to the tax payable under section 3(1) and 3(2). The amount of tax should be total tax i.e. paid at normal rate plus 2% tax.

**Part of input tax attributed to zero-rated supplies/ exports:**

The registered person shall work out the amount of input tax relating to inputs consumed in zero-rated supplies or exports made during

the tax period. This amount constitutes the refund claim which will be processed under refund rules, after the required documents/ information have been provided. This amount cannot be greater than the sum of total input tax for the month mentioned and the credit brought forward. In case, there are local sales as well, the refund claim should be lower than the sum as aforesaid.

**Previous month credit brought forward:**

This is the amount of tax which could not be adjusted previous month and should strictly be the amount mentioned in the column 'Credit to be carried forward' in the previous return. It is to be noted that previous month's refund claim should not be included in this column. In the return for the tax period July 2007, this amount shall be zero.

**Accumulated Credit:**

This is the total input tax available for adjustment against output tax. This is the sum of total admissible Input tax for the month plus Credit brought forward from the previous month minus Refund claim.

**Sales Tax Debit**

**Taxable supplies chargeable @ 15%, 17.5% and 20%:**

Data of all supplies subject to tax at 15%, 17.5% and 20% is to be given here after adjustment on account of debit/ credit notes.

**Taxable services rendered:**

The services chargeable to sales tax under provincial ordinances and the services subject to FED in VAT mode are to be mentioned here. For example courier services and domestic air travel services etc. will be mentioned here.

**Others (PI. specify):**

Data of all supplies on which sales tax has not been paid on the standard rates (15%, 17.5% or 20%) shall be given here. A brief description

must also be provided in the available space.

**Electricity supplied to steel sector:**

The electricity distribution companies shall mention the units supplied to steel sector as covered under the Sales Tax Special Procedures Rules, 2007, on which sales tax is payable at the rate of Rs. 4.75 per unit.

**Sales Tax deducted by withholding agent @ 1/5th of tax invoiced:**

This column allows a registered person to subtract the sales tax which has been deducted by a withholding agent from his output tax liability. Only the amount actually deducted needs to be mentioned.

**Commercial Importers:**

The commercial importer shall provide the value and sales tax charged on all invoices issued by him. In case the sales tax charged exceeds the amount paid on the same goods at import stage, the differential amount has to be mentioned in space provided.

**Invoices issued under Special procedures**

Where the registered person, other than a commercial importer, is allowed to issue invoices showing amount of sales tax but the actual tax liability has already been discharged, such as in case of steel sector, the registered person shall provide the value and sales tax charged on all invoices issued by him. This detail is for information only and does not add to the tax payable with the return.

**Whether excluded from Section 8B(1), under SRO 647(I)/2007:**

The registered person should tick the relevant box and calculate net liability and the amount of tax to be carried forwarded in accordance with the formulas provided.

**Sales Tax withheld by the return filer (STWH):**

If a registered person is also withholding sales tax under SRO 660(I)/2007, he shall mention the tax deducted during the tax period from the amounts payable to suppliers.

Federal Excise Duty

**Excisable goods cleared for domestic**

Space has been provided for five types of excisable goods. If such goods are more than five, then top four in terms of highest duty payable should be specified and the rest should be clubbed and mentioned against the heading description 'others'. Following nomenclature should be adhered to while specifying the goods:

- 1 Vegetable ghee and cooking oil
- 2 Concentrates for aerated beverages
- 3 Aerated waters
- 4 Aerated waters with sweetener etc.
- 5 Aerated waters made from pulp/juice etc.
- 6 Unmanufactured tobacco.
- 7 Cigars, cheroots, cigarillos and cigarettes
- 8 Cement
- 9 Clinker
- 10 Solvent oil (non-composite)
- 11 Other petroleum oils
- 12 Other fuel oils
- 13 Lubricating oils
- 14 Lubricating oil in bulk
- 15 Lubricating oil if manufactured from reclaimed oils
- 16 Mineral greases
- 17 Base lube oil
- 18 Transformer oil
- 19 Other mineral oils
- 20 Waste oil
- 21 Petroleum gases in liquefied state
- 22 Natural gas in gaseous state and other petroleum gases



- 23 Carbon black oil etc
- 24 Methyl tertiary butyl ether (MBTE)
- 25 Flavours and concentrates
- 26 Perfumes and toilet waters:
- 27 Beauty or make-up preparations etc.
- 28 Preparations for hair
- 29 Pre-shave, shaving or after-shave preparations etc.
- 30 Greases
- 31 Organic composite solvents and thinners
- 32 Other solvents excluding thinners

**Excisable services rendered:**

Excisable services on which FED is being charged (not in VAT mode) are to be mentioned here; such as international air travel and services chargeable to FED at 5% i.e. insurance, non-fund banking services, franchise services etc.

**Exempt clearances**

All clearances of exempt excisable goods as in the Third Schedule or under any notification should be mentioned here.

**FED paid on goods used in manufacturing of Goods cleared for domestic consumption:**

The credit of FED paid on inputs consumed in excisable goods supplied during the tax period will be availed by mentioning the same. This value has to be less than excise duty payable on finished goods supplied. It would be greater only in case where the rate of excise duty on inputs is higher. In such cases no refund of higher duty on inputs is admissible.

**Excise duty on import of edible oil:**

The fixed FED at Re. 1/kg on imported oils under SRO 24(I)/2006 is to be mentioned here.

**Goods chargeable to special FED:**

Information in respect of Special FED under SRO 655(I)/2007 is to be provided.

**Special FED on inputs used in manufacturing of Goods cleared for domestic consumption:**

Special FED on inputs used in goods supplied during the tax period is to be given here.

**Payment**

**Arrears and current liability:**

In this part sales tax and FED arrears arising from various orders, observations or voluntary assessments can be mentioned and paid. Separate space is provided for mentioning and paying default surcharge and penalty due to late filing of the return being filed.

**Revision Credit (Credit due to revision of declaration):**

In case the return is being revised, the credit of the amount paid on the normal/ original return can be availed by mentioning the said amount.

**Balance Tax Payable (Total Taxes Payable - Rev. Credit):**

Balance payable is the amount to be deposited on the return.

**Declaration:**

Declaration can be filled in by any person duly authorized to file the return. CNIC mentioned here should belong to the person making the declaration.

**Head of Accounts:**

The break-up of tax being payable on the return is to be provided. If the taxpayer is dealing in more than one type of taxes he should provide the head-wise break up of the total amount payable for the month i.e. the amount mentioned in the column “**Total Taxes Payable (Net ST Payable + Net FED Payable + PDL)**”. The amount falling in FED and PDL can easily be determined. However, the problem may arise while providing break-up of sales tax, provincial sales tax and FED payable in VAT mode because of common inputs involved. In case the registered person is not conveniently able to determine such break-up, then the total payable amount for such heads can be apportioned on the basis of value of supplies/ services relating to a particular head of account.”.

Other Facilitation and Tax Education Material Produced by  
**Federal Board of Revenue**

**Publications**

Brochure– Universal self-assessment and record keeping

Brochure – Business accounts, documents and records

Brochure – Taxation of income from salary

Brochure -- Frequently asked questions about Taxation of Salary

Brochure –Collection and deduction of tax at source

Brochure –Charitable Organizations

Brochure –Taxation of income from dividend

Brochure– The Mechanism of Alternate Dispute Resolution

Brochure –Taxpayers' Charter

Brochure –Import of vehicles

Brochure –Passenger Baggage Rules

Brochure - Sales Tax Facilitation Guide

Quarterly Review

Year Book

