GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE
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C.No. 3(7)ST-L&P/2011

Islamabad, the 16th August, 2013.

SALES TAX GENERAL ORDER NO. 34/2013

Subject: **UNIFORM PROCEDURE FOR ACTIONS UNDER SUB-SECTION (4) OF SECTION 21 OF THE SALES TAX ACT, 1990.**

In order to provide for a uniform procedure for actions to be taken under sub-section (4) of section 21 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to prescribe the following procedure, namely:-

2. Action under sub-section (4) of section 21 of the Sales Tax Act, 1990 (hereinafter referred to as "the said provision") shall be initiated only when there are reasons to believe that a registered person, with a collusive arrangement, is engaged in claiming fraudulent input tax or refunds, or is issuing fake or flying invoices. These reasons may include:-

(i) On physical verification / visit, the registered person is found not to exist at the declared address, or it is found that no genuine taxable activity is taking place at the premises, or there are insufficient facilities for conducting the quantum of taxable activities which are declared in the sales tax returns;

(ii) The taxable activity being declared is not reasonably commensurate with the capital investment declared, the manufacturing facilities, or the size and nature of the business;

(iii) The registered person is claiming input tax or refunds out of which substantial portion is claimed against sales tax invoices issued by blocked, suspended or blacklisted persons;

(iv) The registered person is found to have claimed input tax adjustment or refund against fake or fictitious Goods Declarations, or Goods Declarations of other persons;

(v) Non-filing of sales tax returns in the preceding tax period; and

(vi) On recommendation of a Commissioner of another jurisdiction that the registered person is engaged in unlawful activities as specified in sub-section (4) of section 21 of the Sales Tax Act, 1990.

3. Before issuing any order for blocking of refunds or input tax adjustments of a registered person, the reasons shall be recorded in writing by the Board, the Commissioner or the officer authorized by the Board in this behalf.

4. The order for blocking of refunds or input tax adjustment shall be in writing, and copies thereof shall be sent to the registered person at his declared address, to the Chief Commissioner having jurisdiction and to the Central Registration Office.

5. Action under the said provision shall be initiated by a Commissioner only in case of registered persons falling within his jurisdiction. If the Commissioner has reason to believe that a registered person of a different jurisdiction is engaged in the unlawful activities specified in the said provision, he shall inform the Commissioner holding charge of that jurisdiction to take the appropriate action as per law in respect of the registered person falling in such jurisdiction. However, the Board may take action under the said provision throughout Pakistan, and any officer authorized by the Board in this behalf may take action to the extent and in accordance with the area of authorization granted to him.

6. After such blocking of refund or input tax adjustment, the Commissioner shall complete the required investigation expeditiously and issue show cause notice to the registered person within ten days of blocking for violation of the relevant provisions of law. In case of blocking by the Board or by an officer authorized by the Board in this behalf, the concerned Commissioner having jurisdiction shall be directed to take appropriate legal action under the Sales Tax Act, 1990.

7. After completion of proceedings consequent upon the show cause notice, an appealable order shall be passed within 20 days, and further legal action shall be taken in accordance with the relevant provisions of the Sales Tax Act, 1990 and rules made thereunder. In case, no such order is passed within 30 days of the date of blocking, the refund claim shall be deemed to have been deblocked.

8. If, after investigation, or after the proceedings conducted after issuance of show cause notice, the Commissioner finds that the person was not engaged in the unlawful activities specified in the said provision, he shall forthwith withdraw the order for blocking the refunds or input tax adjustment against the registered person.

16/08/13

(Fahad Ali Chaudhary)
(Secretary ST-L&P)